

Local Economic Leadership



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PREFACE

The OECD Local Economic and Employment Development Programme was created in 1982 with a mandate to promote and advance local development as means of achieving national economic growth and economic and social inclusion. I have had the privilege of leading this Programme for 33 years during which time we have promoted partnership, peer to peer learning and multi-stakeholder engagement throughout all of our activities. Fundamental to this approach was the creation of our LEED Partner's Club – a unique forum which over the last three decades has brought business groups, local authorities, universities and development agencies together to rethink and deliver effective local development. This report demonstrates collaboration between important LEED Partners and their networks. I thank each of them for their continued engagement with our Programme and the leadership that role that they each take to push the boundaries of local development.

This report on Local Economic Leadership builds on a substantive body of work that we have done since the crisis began in 2008. In *Recession, Recovery and Reinvestment* we looked at how 41 local leaders were responding to the crisis. We found inspiring and confident solutions and actions emerging which helped local areas protect their futures. In *Organising Local Economic Development (2010)* we focused on development agencies, the original crisis response mechanisms and then in *New Growth and Investment Strategies (2013)* we focused on the recovery. This body of work has led to a specific focus on local economic leadership and the critical role that it plays in creating the framework conditions for inclusive growth.

The LEED Programme benefits for a unique range of individuals who themselves play important roles in leading local economic development and I would like to take this opportunity to thank Greg Clark who for last twenty years has been a committed member of our extended network. He has generously shared his ideas, knowledge and passion for local economic development and contributed to this and many other reports and publications.

I would also like to thank Debra Mountford and Francois Iglesias of the LEED Secretariat and the cities of Amsterdam, Hamburg, Manchester and Stockholm.



Sergio Arzeni
Director, Centre for Entrepreneurship,
SMEs and Local Development

FOREWORD

I am delighted to welcome this important and timely report from the OECD LEED programme. The imperative for economic leadership is one of the defining topics of our time, how to combine the most important interests of the long term with the immediate priorities of the short term, and to get the balance right.

At the local level, in cities such as Manchester, the idea of local economic leadership is not new, we know that leadership is needed to make change happen. Indeed, there have been multiple voices from different sides of the political spectrum arguing for the importance of local leadership and making the case for organisational changes that might support such leadership to play a more decisive role for several years. But, so far, there have been too few attempts to really define and illustrate what local economic leadership means and what is required to fully achieve it. We know that leadership of local economies is critically important and we can see places where it has sometime been absent, but until now we have had only a limited assessment of the key attributes.

For Manchester an important part of the journey that the city has taken in the recent decades has been collaboration. Working together with other organisations such as the great cities of Stockholm, Amsterdam, and Hamburg has been a key driver of innovation. Working with the OECD LEED Programme has provided us with the opportunity to crystallise key insights about progress and to benchmark our own initiatives with those of others. These have been fruitful partnerships.

From this work we have been able to distil some helpful observations about local economic leadership. The first of these has been that patience and long term perspective must be established. Cities do not recover from de-industrialisation, redevelop their city centres, attract a new employer base, or reskill their workforce in weeks and months. These things take time and persistent effort, and yet they must also be harnessed with impatience and the appetite to take every possible positive step as soon as it is available.

We have also observed that market processes like investment, trade, enterprise, and competition for opportunities respond well to clear and transparent city management. We have tried in Manchester not just to say that we are open for business, investment, and jobs, but to demonstrate that in all that we do. We will support, encourage, and help investors and employers who bring opportunities, jobs, and customers to our people and local firms. This has meant prioritising the relationship management side of investment, streamlining decision making processes, taking out risk and uncertainty, and enabling investors and employers to have confidence that there will be a fair and predictable process that will respect their timetables and commercial disciplines.

Another key insight has been the importance of building compelling and robust evidence to make a clear strategic case for the potential of our city and its people, and to keep it on the agenda. In the UK, where the fiscal system has been very centralised, it has been critical to provide a clear imperative for the return on investment that public funds can achieve in our city. Building a credible and independent expert led evidence base was an important dimension of our progress. It showed a seriousness of intent, and also our willingness to be open to scrutiny and review.

Partnership with neighbouring local authorities has also been a defining aspect of our approach. We know that Manchester's economy goes well beyond the city boundary, and we have worked in collaboration with our neighbours to continuously increase the trust and mutual reliance needed to take bigger steps together. These have occurred in the framing of infrastructure investment, the hosting of global events, investment in the workforce, and the attraction of globally recognised institutions such as the BBC. Moreover, it has been a common endeavour to encourage other partnerships that will create competitive advantages. This has been true in our Universities, Airports, and amongst our sporting elites.

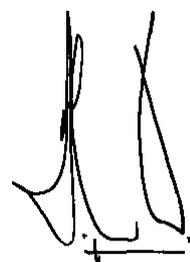
We have also gained much from becoming focussed on identifying and selecting the right catalysts; initiatives that we have taken that have had a lasting and long term effect in our local economy, beyond the immediate locations in which they have happened. The redevelopment of Manchester's city centre, the hosting of the Commonwealth Games, the creation of a world class airport, fostering a merger to achieve globally successful University; these have all been critical catalysts in enabling our city to move decisively forwards.

Lastly, we might observe that promoting the right institutional reforms has been a very important part of our agenda. Our approach has never been to wait until we have the perfect institutional competences and powers, but always to optimise what we can do with the resources available to us, and at the same time to focus attention on how much more might be possible if the tool box was fuller or the tools were sharper.

For this reason we have consistently promoted reforms that gave the city's elected leaders more flexibility in how they generate and deploy resources, how they deliver high quality public services, and how they collaborate to achieve a scale of assets and opportunities that help us to compete in international markets. This has led to a spirit of continuous institutional innovation within Manchester, a growing set of capable organisations across the wider Manchester region, and latterly to important support from National Government that has recognised the potential of this city, and its partners, to contribute more to the UK's jobs and incomes and to have the tools needed to do it.

Our city has again become recognised as an innovator. The leadership that was required has come from many people across a unified team. The underlying attributes that have marked Manchester's path have been consistency of approach and confidence in the future. These two elements have proved decisive at every turn.

This reports tells not just Manchester's story, but those of Stockholm, Hamburg, and Amsterdam, and it reveals how leadership makes an importance difference in local economies. I hope the report will be widely read and will help new leaders to learn from all of us, and to develop their own way to combine long term imperatives with short term actions that add up to complete cycles of progress in local economies everywhere.



Sir Howard Bernstein
Chief Executive, City of Manchester

ACKNOWLEDGEMENTS

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François Iglesias of the OECD LEED Programme designed the cover and prepared the report for publication.

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LOCAL ECONOMIC LEADERSHIP

Since it was founded in 1982, OECD LEED has understood local economic development as a complex process that requires unique kinds of leadership if it is to succeed. It is often led or facilitated by local governments, but because it is a ‘market-facing’ activity that operates over longer time frames, broader geographies, and with wider institutional collaboration than is usual for local government services or regulatory roles, it requires distinctive leadership arrangements. This has become even more starkly observed since the global crisis that began in 2008.

How leadership adds value

Leadership is a complex topic. It focuses on the ability of key people to make change happen and to improve the performance of an organisation, a system, and, in this case, a place. In this report the focus is on how leaders add value to local economies. As the report explains, this leadership dividend might occur in many different ways. This can include how public and private coalitions are built, how external investment is attracted and leveraged, how major redevelopment projects are defined and promoted, how skills and employment systems are recalibrated towards new economic sectors, and in how institutional reforms are devised and promoted.

As local economic development is often not a statutory responsibility of governments, and as it is also a multi-sectoral form of public intervention, it is also an arena for substantial innovation, where leadership sets the agenda and builds the context for progress. In this report, the focus is on how leadership makes these kinds of changes happen, so that local economies are geared towards future opportunities rather than locked-in to previous cycles of production.

Multiple stakeholders

In addition to local authorities, the last decade has already seen new groups such as city networks, business leadership groups, universities, and civic bodies drawn into the sphere of local economic leadership and development, and the institutional landscape of most local economies is expected to become increasingly dispersed in future. This diversity has the potential to be advantageous, adding to the resources, ideas and powers of local economies, and fostering innovation. But in order to secure these advantages, a key task for future local leaders will be making this distributed system of leadership more coherent through common strategy, partnership and co-ordination, coalition building, and wider reforms. Accordingly, development of leadership skills across the broader economic development system must be a key priority for today, in order to secure the best possible leadership for the future.

Table 1. Leadership and Economic Development

	Leadership Imperative	Leadership Skills	Leadership Dividend
1.	Multiple actors and larger geographies that extend beyond formal political jurisdictions.	Coalition building across administrative boundaries and across public and private sectors.	A co-ordinated approach that avoids duplication of effort or zero-sum competition between neighbouring localities.
2	Increased internationalisation, mobility, and competition.	Understanding local assets and strengths, competition and competitors	Strengths and weaknesses are evidenced and understood. Local economic strategy is credible.
3	Separated sector responses in skills, innovation, enterprise, transport, land use.	Developing integrated vision and cross-sector strategy.	Coherent and aligned actions across sectors around a common local economic strategy.
4	Supply led skills and education systems with limited flexibility.	Understanding and aligning with demand side needs of employers in clusters and companies.	Labour market functions efficiently and increases employment participation and progression.
5	Low propensity to start up.	Judging the right mix of support and incentives for entrepreneurs.	Entrepreneurs are motivated to start-up stay, settle and participate in a start-up ecosystem.
6	Lack of visibility in international and global markets.	Building strategy, organisation, and collaboration for economic promotion.	Distinctive offer is well understood and resonates across different target audiences.
7	Insufficient public finance resources and capital investment.	Financial innovation to create new investment tools and instruments that optimise public investment and leverage private finance.	Optimum use of own resources, local revenue-raising and leverage of third party finance.
8	Potential for external investment from foreign companies, funds/institutions, and HNWIs.	Investment readiness to ensure a credible framework and development pipeline.	Investors are attracted to sound, well-prepared and bankable opportunities.
9	Administrative systems and procedures deter business growth and job creation.	Improve upon national business framework conditions at the local level to attract and retain firms and jobs.	Employers locate, invest, and expand job base due to more favourable conditions.
10	New tasks emerge for which there is no competent body (e.g. plant closure, hosting event, major redevelopment site).	Launching new organisations either for time-limited special purposes or to fulfil permanent functions.	New capacity is created when required and key projects are executed.
11	Institutions are not fit for new purposes.	Advocacy and promoting reform.	Systems and frameworks are revised in line with need. Institutional lock in is avoided.
12	Short term mandates risk frequent policy change.	Building long-term continuity of policy and strategy for competitiveness across political parties.	Long-term consensus on development path is sustained and adjustments accommodated.

Informal and formal authority

A key lesson from the recent global economic crisis is that in the future, leaders of local economies will continue to be faced with challenges that cannot be resolved using their formal authority and powers alone. They therefore need to be accomplished innovators, who can come up with new approaches and tools to address the system weaknesses that they face. They also need to be adept at influencing and persuading other stakeholders, so as to align resources and efforts, and to make space for their innovations. They need to become expert in sharing, listening and networking, in order to learn about and adopt successful tools and platforms developed elsewhere. They may need to adapt, adjust and implement the innovations of others, and they will certainly need to be skilled at planning for the future and anticipating challenges wherever possible, so as to be able to implement innovations before (or as) they are needed.

Key elements of the leadership dividend

To articulate with more precision what effective local economic leadership means in practice, the OECD LEED Programme has also reviewed evidence worldwide and found that there are some common elements that underpin successful local economic development leadership. These elements are not prescriptive - different places take different approaches. None the less, it appears that the following elements are significant:

- Vision, strategy, and agenda setting; looking to the longer future.
- Evidence based leadership that sifts options and alternatives to intervene and engage markets.
- Customer orientation that recognises employers, investors, entrepreneurs and workers as having distinctive preferences and requirements that a local economy needs to meet.
- Systemic and integrating leadership that embraces all the entities that can impact on local economic performance.
- Promotional skills that understand how to position a local economy within contested markets and how to leverage assets and opportunities.
- Collaboration and alignment between different tiers of government and horizontal co-ordination.
- The advocacy role of leadership that makes the case for better ways to organise, reform, or regulate a local economy and its institutions.

Exceptional **leadership skills** are required amongst local government leaders and their partners if economic development is to succeed. The skills of assessing choices and options, visioning, communicating, partnership and alliance building are to the fore. Working with employers and investors to reduce the risks involved in investing or expanding in a location is a key attribute of economic development leadership.

Stakeholder engagement

Local economic leadership also recognises that many of the economic stakeholders in a local economy do not exercise a vote in elections. Businesses, commuters, tourists, investors, students, infrastructure and logistics providers are not enfranchised in local elections despite the fact that they are major economic stakeholders. Important implications arise from this: local and regional leaders must find means to engage them in economic strategies despite having no direct mandate to represent them or lead them, and, leaders must seek to reconcile their interests with one another through visioning and agenda building, as well as aligning their needs and interest with those of residents. Reconciling the needs and aspirations of residents with those of economic stakeholders is not always straightforward, especially in a context where economic growth and quality of life are often perceived to have major tensions and trade-offs between them. Local economic leadership also requires the mobilisation of active support from residents for processes that will often involve change, growth, diversification, and the challenge of relinquishing old customs and habits in favour of new ones which may be unfamiliar.

Skills and tools of leadership

Due to these differences from other aspects of government and public services delivery, local economic development requires very specific and complex kinds of leadership in local government. This local leadership must:

- Understand local economies and the changing rationale and skills for intervention in markets.
- Communicate a clear and common economic agenda and to broker and lead coalitions of actors from different sectors, and to set out a common agenda for them to work through together.
- Sequence and balance interventions at different scales (e.g. in framework conditions such as tax and regulation, with demand side interventions such as marketing and promotion, with supply interventions such as skills and property).

This report, *Local Economic Leadership*, explores the role of local leadership in purposeful local development. Drawing on previous work by the OECD LEED Programme, the latest independent research by institutions such as Brookings and the World Bank, and detailed case studies of four cities, it examines the leadership premium that accrues to local economies with high quality elected and institutional leaders. It points to the role of leadership in overcoming deficits that local economies often face; short-termist institutions, fragmented jurisdictions, limited access to capital, and subordinated powers. The box below highlights work on local economic leadership which the OECD LEED Programme has undertaken since the start of the global economic crisis. The three substantive reports analyse crisis response initiatives, the role of delivery vehicles in reshaping local economies and how local leadership arrangements influence new growth and investment strategies.

Box 1. OECD LEED Programme work on local economic development and leadership

Recession, Recovery and Re-investment: The Role of Local Economic Leadership in a Global Crisis, reviewed local economic development actions taken in the immediate aftermath of the global financial crisis. The research found that local economic leaders in 41 cities had responded innovatively in their use of resources and assets, and were viewing the crisis as an opportunity build long-term strategy, forge new alliances, and re-evaluate where local development could make the best contribution. The report concluded with ten “Barcelona Principles” that were devised and agreed by a group of leaders at a workshop in Barcelona in March 2009. These principles highlighted the rapid re-invention of local economic leadership, especially in terms of the way leaders were building relationships with the private sector, maintaining openness to talent and capital, and making the case to higher tier governments.

Organising Local Economic Development (2010) explored the role of development agencies as a key organisational vehicle for promoting economic development. The publication explained how, as market facing bodies engaged in market-based transactions, rather than direct public service delivery, development agencies had become a popular mechanism to help cities compete for “contested” activities and manage multi-party joint ventures. Drawing on analysis of 16 such agencies, the research found that development agencies can often be instrumental in creating a business-like, and customer-facing, operational environment to deliver local government-led economic development at pace and scale. They also depend on an effective local development system with strong working relationships and shared agendas with other local bodies.

In 2013 **New Growth and Investment Strategies** examined the adjustments made by twelve cities in response to new fiscal, administrative and geo-economic realities. These cities included the quintet of Amsterdam, Barcelona, Hamburg, Lyon and Manchester, which have worked with the OECD LEED Programme to share lessons on how to reverse job losses and business growth, tackle stalled office space and retail investment, expand promising sectors, and build economic inclusiveness in a higher skilled economy. The report also analysed the strategies of seven comparable non-EU cities. It found that new employment growth strategies included much more robust cluster consolidation, clearer support for SMEs, and targeted outreach into new global markets. It also highlighted the efforts made to retain revenues, create business friendly zones, devolve infrastructure funding mechanisms, and consolidate investment capabilities.

Case studies and learning models

For this report the OECD has analysed four internationally oriented, mid to higher ranking EU cities to share lessons about how local economies can capture the leadership dividend. These cities are Amsterdam, Hamburg, Manchester (encompassing the city-region) and Stockholm. This European quartet has been actively engaged in the challenge to re-build their jobs base, attract employers and grow investment, raise the investment rate, ensure adequate supply of business space, expand new sectors, and build economic inclusiveness in a higher skilled economy. Their leadership models also stand out for their success in shaping their local economies

Amsterdam has evolved into a mature poly-centric economy whose growth leverages existing finance and advanced professional services specialisations, strong trade and logistics capabilities, and growing value in emerging creative and scientific sectors. The city’s economic, infrastructure and space pressures require inter-municipal solutions. In lieu of

powerful individualised leadership, Amsterdam has gradually overcome institutional complexity and a strong network of leaders now exists. Local leaders have patiently built coalitions that cut across party political and public-private sector lines, while the consolidation of business-facing advisory networks is rapidly improving management of economic development in the region.

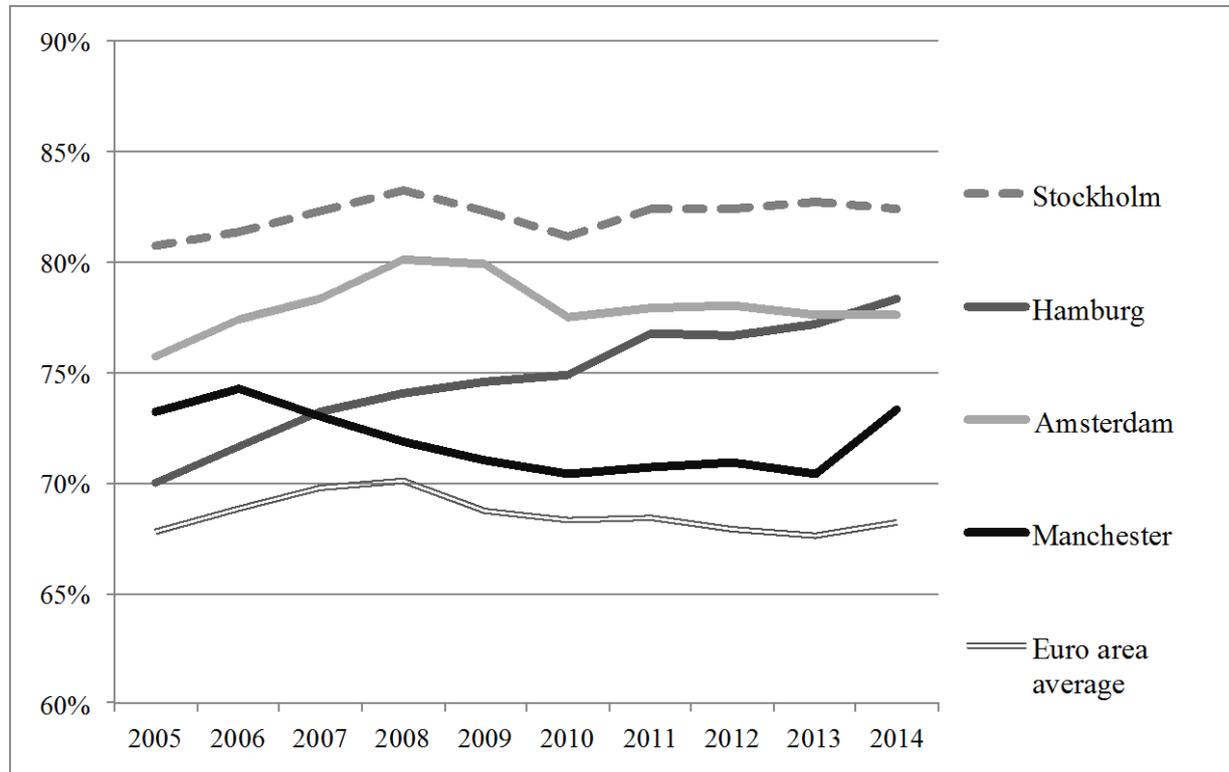
Hamburg's local economic development is underpinned by several cycles of investment into hard infrastructure, workforce development, employment innovation and research expertise. Despite an advanced innovation system, the city has nevertheless faced strategic challenges – especially around housing, congestion and port expansion - that have needed strong leadership and deeper inter-governmental co-operation. Since 2011 Hamburg's leaders have pursued a counter-austerity inclusive growth strategy that has begun to yield significant results. The city has pursued a rational and professional approach to short-term delivery of fiscal prudence, increased housing supply, and a more flexible labour market, within a broader framework of a more globalised local economy.

Manchester's distinctive model of can-do public sector leadership and mature public-private partnership has driven significant progress in local development, employment and institutional frameworks in the past five years. Despite existing strengths in retail, technology, culture and higher education, business leadership assessments have highlighted fundamental labour market and productivity challenges and re-focused priorities on the local development system and the catalytic role of the private sector and international investment. Greater Manchester's ambitious leaders have successfully made the case for more devolved powers to deliver public services, stronger investment models and executive capacity at the combined authority level

Stockholm is one of Northern Europe's largest and fastest growing cities, having become an increasingly attractive location for international companies, migrants and small employers alike over the past decade. Sweden's capital has a highly mature innovation system and is now a European hub in a number of sectors such as life sciences, ICT, automation and clean technology. The locality's main development challenge is a housing deficit that may require solutions and leadership beyond the administrative county boundary. Stockholm has mobilised municipalities across the wider region with a unifying brand – 'Capital of Scandinavia', advocated and managed by new sources of voluntary partnership such as Stockholm Business Alliance.

These cities have experienced different economic and employment conditions in the past decade, especially during the years of macro-economic uncertainty that followed the global economic crisis. Figure 1 shows the adult (20-64 years) employment rate for the four cities versus the 19 country Euro area average. It shows that Stockholm has retained the highest employment rate, at well above 80% throughout the last ten years. This is one of the highest figures of any urban area in Europe, alongside Zurich and Oslo. Meanwhile Hamburg has increased its employment rate by over 8% since 2005, one of the fastest improvements of any city in Europe. Manchester's rate of employment has recovered strongly since 2010 and is now 5% above the Euro area average, while in Amsterdam job creation has been more challenging in the post-crisis period, although the overall rate is still in the top quarter of European cities (Eurostat, 2015).

Figure 1. Employment rate of 20-64 year olds, by NUTS2 region



Source: Eurostat (2015)

The report also cites a number of international good practice examples where leadership activity and reforms in local economies have proven especially promising. These illustrative examples include Auckland, Cape Town, Oslo, Vienna and Turin.

Contemporary Local Economic Leadership

What are the challenges to which local economic leadership must respond?

All local economies inherit their own distinct development imperatives, but the global trend of rising urban demand presents new and shared challenges for the leadership of local economies. Research by the Economist Intelligence Unit in 2015 finds that leadership is widely considered at fault for the failure to maintain infrastructure systems and services, and that local economy leaders must escape from “reaction mode” and think strategically to manage infrastructure. In a global survey of 400 policymakers and business executives, it found that more than a third cite a lack of official skills (39%) and weak government effectiveness (34%) as the main impediments to infrastructure delivery (Economist Intelligence Unit, 2015). Meanwhile the most recent UN-Habitat State of the World’s Cities report notes that leadership and co-ordination is critical to tackling crime, poverty, social inequalities and transport systems, and argues that “there is no substitute for government leadership to address issues of equity” (UN-Habitat, 2012: xv).

Leadership of local economies is a very different task in the 2010s compared to most of the 20th century. The characteristics of the current cycle of globalisation and the changing landscape of jobs in global value chains, require distinct responses from local decision-makers. Some of the macro-trends that are shaping the demands of local economic leadership include:

- *Rapid urbanisation* – as part of the long “second wave of urbanisation”, by 2050 it is expected that two-thirds of the world’s population will live in urban areas (OECD, 2015a). Despite the widespread transition to service-led economies, amenities such as healthcare, culture, retail and advanced education have continued to make urban areas highly attractive places to live, while agglomeration effects have created significant economic benefits for people and businesses locating close to each other. Growing urban populations, including beyond formal administrative boundaries, have placed local authorities and leaders under pressure to provide a greater quality, quantity and range of services, and to co-ordinate much more effectively.
- *Demographic changes* – diverse and ageing populations have a profound effect on local governments. As the number of senior citizens increase and many more local economies become more ethnically diverse, new demands are placed on spatial planning and service delivery. An aging labour force also has implications for skills development and employment participation.
- *Migration* – between 1990 and 2015, the number of international migrants grew by 50% to 230 million. Migration into urban areas of OECD countries is increasing especially rapidly (International Organization for Migration, 2014). Although migration brings potentially important advantages to local economies it can also present major challenges around job creation, social cohesion and integration.
- *Globalisation of sectors* – a wide range of industrial sectors are becoming globally integrated, and offer new paths into global engagement for local economies (Clark and Moonen, 2013). In addition to established globalised sectors such as financial and professional services, globally traded sectors include creative industries, clean technology, higher education, and tradable urban services such as engineering and architecture. Increasing global integration can create local challenges as well as opportunities, and competition for investment, jobs and people mean that local economies face new imperatives to be efficient and competitive. Although on one level “globalisation has diminished the power of place-based leaders”, the role of local economic leadership has evolved into one of negotiation and optimisation of global forces (Hambleton, 2015).
- *Social and behavioural changes* – The impact of technology on social values and norms is profound; new phenomena that local development must respond to include the merging of work and leisure, instant access to and demand for information, the emergence of a self-conscious and interactive citizenry, social entrepreneurship and social innovation and technology perspectives (PwC, 2005).

- *Geo-political and geo-economic shifts* – The geo-political landscape continues to change dramatically, with the impacts of terrorism, political turmoil, the era of cheaper oil, the rise of nationalist politics, and the shift in economic centre of gravity towards the East and South (UN Development Programme, 2013). Local leaders must adjust to changing energy demands, risks of disinvestment, the threats of episodic violence, and to new opportunities for enterprise and inward investment.
- *Environmental changes* - Climate change is already having impacts worldwide, through rising sea levels, increased severity and frequency of extreme weather events, and unexpected temperature patterns. These changes have significant implications for buildings, infrastructure, energy supply, food and water availability and human health. Aside from climate change, other environmental changes such as increased air and water pollution, loss of biodiversity and land degradation also threaten local economies, for example by increasing food insecurity, infectious diseases and water stress.

These big trends occur at different paces and with different effects in local economies, but create a number of shared leadership challenges and imperatives. The list presented below is by no means exhaustive, but indicates the wide range of sectors and partners that leaders must pay attention to:

Strategic Imperatives

- Economic restructuring in response to changing global markets.
- Preparing a long-term strategy for inclusive growth.
- Building a strong identity and reputation.

Raising growth and productivity.

- Expanding the jobs base and fostering entrepreneurship.
- Attracting and fostering a workforce with appropriate skills and capabilities.
- Leveraging knowledge assets for economic expansion

Infrastructure

- Building a public transport system.
- Building appropriate technological infrastructure.
- Maintaining and upgrading existing infrastructure.
- Managing and working with private investment in infrastructure and service delivery.

Social Cohesion and Participation

- Securing social inclusion and social cohesion.
- Developing open and participatory institutional frameworks.
- Renewing / building public interest in the democratic process.

Effective institutional frameworks

- Building positive relationships with other tiers of government.
- Working with and within fragmented and fragile global frameworks.
- Raising and safeguarding local finances.

Finance and Investment

- Reducing indebtedness.
- Integrating 'new' financial modes and geographies.
- Increasing tools and incentives for public and private co-investment.

The four principal cities reviewed face their own fair share of these challenges.

- **Amsterdam** has challenges to optimise the scale of its diverse polycentric economy whose sector composition has been changing. The city has had to adjust to a shrinking financial sector, rapid inner city re-urbanisation, and slow economic and employment growth since the global financial crisis. Challenges include the improvement of innovation capacity, and overcoming the fragmented approach to transport infrastructure.
- **Hamburg**'s economic growth since the global financial crisis makes it Germany's most affluent city. Its leaders developed a revised strategy for growth but with a significant budget deficit and debt challenges. They also have to manage soaring demand for housing but with limited land availability and concerns about balancing expanding demands and the city's budget. Solutions are also required to the conundrums of port expansion, dredging the access to the harbour, infrastructure development, and the need to optimise space to absorb growth effectively. The integration of many different groups into an urban society, including ethnically and culturally diverse migrants, remains an important task.
- **Manchester**'s economy is undergoing a rapid process of reinvention led by growth in knowledge-intensive jobs, but does still face a number of structural challenges. Resolving road congestion through additional capacity remains a major concern. Its leaders are drafting a Spatial Framework to ensure that the city region has sufficient housing and employment land supply for the next twenty years, and are looking at investment models to support the associated critical infrastructure, but current revenue streams are limited and existing processes inhibit local leaders from securing

central government funding. Leaders aim to maximise Greater Manchester's job creation potential in emerging sectors such as life sciences, and to reform public services to cater for resident needs. There are also challenges in improving the skills system of apprenticeships, and to address significant skills deficits in ICT (programming, engineering, databases) and business to ensure that employer needs are met by providing residents with the right skills.

- **Stockholm's** challenges relate mainly to managing its recent competitive success. Housing development is struggling to match population growth, due to land shortages and sub-optimal utilisation of existing stock. Meanwhile imbalances in the labour and housing markets demands investment in complex road and rail infrastructure to serve an expanding population and relieve congestion, but the institutional framework makes it difficult to achieve vertical alignment to plan comprehensively. The attraction of immigrants has also created concerns about social integration and economic inclusion. At the same time, Stockholm's economic development ambitions also depend on improving its international profile and hospitality.

What are the 'gaps and deficits' in local economic leadership?

Over the past 30 years, important efforts have taken place in Europe and other OECD countries to re-organise more effectively for local economic change and population movements. Awareness of power gaps and deficits has increased, and there has been growing recognition that sectoral policies and regulations alone do not produce successful local economies.

Yet as the profile of individual leaders has grown and local management challenges have broadened and intensified, many leadership teams continue to find themselves under-powered, as reform of institutional frameworks has not kept pace with the demands made upon local economies. Indeed, many leaders work within an institutional framework which provides them with limited capacity or powers to meet the challenges their local economy faces. The deficits that local economic leadership must cope with include:

- **Low levels of autonomy / self-government** – Almost all local governments (with the exception of a handful of the more empowered 'city states' such as Singapore, Hong Kong, Berlin, Hamburg, Tokyo, Vienna, Zurich) are supervised through national and / or state systems. They must operate within national and/or higher tiers of government (Slack, 2011). Many local government leaders feel they have insufficient powers to be able to implement the policies that are needed (World Cities Summit, 2014; Centre for Cities, 2014; Gleeson, Dodson and Spiller, 2010). Even in federal systems, governing powers may remain concentrated at the state or provincial level, with little devolution to local government.
- **Fragmentation and coordination challenges** – Many national systems and labour markets have too many local governments, operating with limited coordination, weak competences and powers, and within fragmented institutional frameworks (World Cities Summit, 2014). Only half of OECD metropolitan areas have any kind of

metropolitan governance body, and less than a quarter has one that is able to impose regulations (OECD, 2015b: 11). Leadership therefore often means navigating a complex mesh of local governments and negotiating with national and regional bodies, all with different political leadership and reporting mechanisms. This fragmentation can make decision-making unwieldy, and can prevent local economies from benefitting from economies of scale.

- **Short term mandates and short term political thinking** – Most of the development challenges that local economies face require substantial and continuous action over and through several cycles of development and investment. But, the majority of local political systems provide leaders with mandates that span somewhere between 1 and 5 years. Even with the longest mandates, achieving continuity of action and purpose is a challenge when considering longer-term issues such as infrastructure investment, settled land use planning, institutional reforms, or public education, and the pursuit of short term agendas is often prioritised (World Cities Summit, 2014). Many local economies suffer as a result of short termism in political thinking.
- **Fiscal and financial deficits** – local development is often held back by a lack of resources to invest in the infrastructure required for long-term growth. Many local leaders have come to operate in a ‘low investment-low return’ equilibrium that makes it hard to manage growth proactively. Local authorities which lack a degree of fiscal autonomy may be compelled to petition higher tiers to win backing for ‘trophy’ projects, and must compete with other jurisdictions for sources of revenue. Once awarded, grants from national government can come with strings attached – requiring money to be spent within a certain time period or in a specific way.
- **Distorting effects of national and state policies/systems/regulations.** Only a minority of national governments have explicit national urban policies. Most rely on strong sectoral ministries that do not have the scope to embrace spatial and territorial issues. Coordination failures among national government ministries are a major barrier to local economic development agendas worldwide. Where national governments do focus on local economies, policies have traditionally concentrated on the negative social or environmental side-effects of growth, constraining local leaders’ ability to bring about positive change (Clark and Clark, 2014). National and state governments frequently invest in transport policies that encourage sprawl, or level taxes that discourage re-use of brownfield land in favour of greenfield sites. Some continue to promote ‘regional development’ policies that effectively undermine growth in local economic centres.
- **Regional organisational deficits** – the majority of OECD cities have grown beyond their historic political and electoral boundaries. As a result, the functional economy is often governed by multiple local governments. National and higher tiers of government are reluctant to adjust administrative boundaries to take account of growth, and over time neighbouring economic areas develop highly distinct social characters and political interests. If these bodies lack co-ordination, local leaders can struggle to align institutions, investment and infrastructure with the functional

geography of the economy. Obvious solutions, such as amalgamations of local governments or redrawing of boundaries is rarely attempted by state and national governments as these exercises are politically unpopular, difficult to get right, and involve substantial adjustment costs (Forum of Federations and EU Committee of the Regions, 2011). At the same time, private sector leadership at the regional level is a critical ingredient which is often absent. Local business groups such as chambers of commerce or boards of trade may find it difficult to work across municipal boundaries, and large employers, especially those which are headquartered in other regions, may not engage actively in local leadership groups. Tackling the absence of effective business leadership is a key challenge for effecting local economic leadership.

These challenges amount to substantial obstacles for local development. In many cases they leave local governments without the tools needed to manage change in population and local economy, and they act as a drag on management practices. It therefore is incumbent on local leaders to ensure that these trends are harnessed as a catalyst for positive change. Institutional and investment deficits are encouraging significant **leadership innovation** as local economies look to compete and prosper in the global economy.

What do these challenges mean in practice?

Investment gaps have grown in many local economies since 2008, as a result of the global economic downturn, and reductions in public spending. These gaps do not just reflect a constrained supply of public money, but also a need for longer-term strategies to support and structure long-term investment and co-investment opportunities. In Greater Manchester, public spending on welfare benefits, ill health and other dependency-based services has continued to grow in recent years, but public investment to drive growth has declined. Total public spending (£22bn), which outweighs taxes generated (£17bn) by nearly £5bn a year, but its capacity to become a net contributor to the national economy depends on maximising investment in its growth priorities (AGMA, 2014; New Economy, 2014). In a highly centralised fiscal system, Greater Manchester's capacity to increase investment is constrained by borrowing limits for housing purposes, centralised property taxes, no assigned share of income tax, and central controls on planning application fees.

Fragmented institutional frameworks have appeared as hierarchical government becomes more diffuse, and more organisations contribute to economic development policy. Project-based and area-based coalitions, and divergent political agendas, have fostered fragmentation over a strategic approach. In **Amsterdam**, over time the process of de-concentration has seen institutional complexity increase. After a failed 1995 referendum to create a consolidated 'city province', Amsterdam's leadership has had to negotiate multiple systems of inter-municipal co-operation. Organisation of this co-operation has occurred at two separate scales; the central area of 16 core municipalities, and a larger-scale informal partnership. At the same time, there has been residual momentum for a leadership and government platform at the wider Randstad level. These competing ideas, combined with a political model of consensus democracy and power-sharing, have not been conducive either to powerful individualised leadership, or to institutional solutions for the wider economic area.

Regional co-ordination challenges are common in localities where leadership arrangements for economic development no longer reflect the size and diversity of the functional economy. In **Stockholm**, after decades of consistent economic growth, immigration, and the emergence of new regional clusters, the functional labour market has not only spilled over into Uppsala County, but also across the five-county area now known as Stockholm-Mälars region. Development now covers a geographical area which is not congruent with any government boundary. There are very limited regional planning powers, and the County-level government lacks room to manoeuvre between powerful municipalities and the state. This has made it more complex for Stockholm to manage and negotiate its urgent need for housing and transport system expansion and to achieve region-wide economies of scale. The challenge is further complicated by the fact that different national agencies (such as the national traffic authority) use regional definitions which are not congruent with administrative boundaries.

Despite these factors the four case study cities have become adept at working around problems and to finding innovative solutions. In each case, collaborative leadership has been critical to identifying the deficits and organising effectively to solve them.

The ‘System of Leadership’ in Local Economies

The success of local economic development is often linked to a city’s capacity to build and sustain political and civic support for development agendas, to integrate those affected into the decision-making process, and to ensure the integrity and agility of its programme for competitiveness over one or more cycles (Rich and Stoker, 2014). Collaborative leadership plays an instrumental role in achieving these outcomes.

The leadership of local economies is usually a pluralised or distributed system, consisting not only of elected leaders but also public sector departments, business leadership organisations, individual firms, and non-governmental sector partners. In order to achieve effective collective action, networked urban governance requires collaboration between a municipal leadership and this wide array of actors, all of which play important roles in the strategic direction of local economies (Hambleton, 2011). As Peters (2011: 11) argues: *“Governing has never been easy, but it has become all the more complicated... The process of governing now involves more actors, more policy areas that impinge upon one another, and most importantly involves a wider range of goals.”*

Local economic leadership is somewhat distinct from local government’s main tasks of service management and administration. Not only must leaders manage services, assets, infrastructure and resources across the local economy, they must also shape and influence activities over which they have limited formal authority, but which affect the broader system of local development. This can include:

- coordinating or synchronising public services and infrastructure delivered by other public bodies;
- shaping private investment and development;

- influencing how citizens manage energy, water, and other resources, and the transport choices they make;
- establishing agendas that will influence a wider set of organisations beyond short term electoral cycles;
- building a longer-term vision and narrative for the future of the local economy;
- negotiating with higher tiers of government for investments;
- creating markets and opportunities for the local economy.

Leadership collaboration for a local economy is a dynamic process. In some local economies, collaboration is mandated by state-driven processes, but in most cases the interaction between a diverse set of institutions and actors can underpin agile leadership for local development. For those cities where this interaction is advanced and mature, “collaboration begets collaboration” and the system for local economic development is better tuned to respond to the challenges of inclusive growth (Thibert, 2015: 215). The sections below explore how collaborative leadership brings particular benefits to a local economy’s capacity to attract investment and re-organise its skills system.

Analysis which emerged from New Growth and Investment Strategies (OECD, 2013a) found that local leadership in the 12 case study cities was actively engaged in building new systems and arrangements to promote new economic and employment strategies. The key emerging features were:

- *Can-do pragmatism*: An ethos of pragmatism is perceptible in many leadership approaches, including Hamburg and Manchester. In each case, compromises have been made in recognition of the need for co-operative development in order to improve the coherence of cluster and mobility strategies. Pragmatic approaches exhibit themselves through careful stewardship of balance sheets, and the projection of values of reliability and consistency to re-assure the entire business community. In Amsterdam’s case, the new governance modus operandi converges on the realistic pursuit of a handful of named undertakings, mindful of the previous limitations of over-ambitious strategies.
- *Communication of the values of openness and population attraction*: During a period where hostility to immigration among domestic populations has grown, city leadership has, in some cases, taken a lead in communicating to publics the value of diversity. The new Mayor of Amsterdam has energetically sought to combine the message of attracting new global growth markets with the task of taking pride in the city’s cosmopolitanism and deepened population diversity.
- *Sincere engagement with, and learning from, the private sector*: Several cities display public sector leadership that is active, incisive and evinces a strong desire to look positively, rather than reluctantly, at private sector co-operation. Many have commented that honesty and authentic business-friendliness are core factors in reassuring investors to commit their long-term future to a given location. Part of this

authenticity is linked to the presentation of an alternative value proposition to potential end-user firms and investors, based around precise market knowledge and service opportunities. For secondary cities, this approach is thought to build up company allegiance and circulate a concept of business operability. Another element of a more professional and customer-focused approach of local leadership can be seen is the willingness of senior leadership and promotional groups to engage in face-to-face interaction with firms both at home and abroad. In addition to conventional trade missions, cities now leverage events and trade fairs locally in order to offer a proposition about the city.

- *Long-term, multi-cycle approach:* The organisation of new governance configurations reflects an acknowledgement that growth and investment success cannot be achieved in one or two political cycles. Leaders of city governments and business groups alike understand that the rearrangement of economic development responsibilities is needed to encourage reflection on core assets, far-sighted decision making and collaboration.

Leadership to ensure growth and investment readiness

In the new cycle of local development since the global financial crisis, cities are increasingly recognised as the business and employment hubs of national economies, but must work hard to attract increasingly mobile jobs and capital. Policymakers at the national level observe that local ingredients are important to sub-national and national business success. Although nations have distinctive aggregate market offerings, local economies can partially insulate themselves from national frameworks and forge reputations and results based on their business climate.

Figure 2. The three dimensions of business climate



Regional drivers of inward business investment and organisation are typically linked to their unusual market size and density. These scale factors depend on a commensurate infrastructure platform for the whole labour market area, a sound logistics system, and critical institutional assets that have tended to cluster in urban areas during the 20th century. Employers rely on local economies' capacity to host functional supply chains and provide deep pools of skills, supported by location incentives. As such the local-level proposition to

employers and investors revolves around organisation and commercial energy. The leadership role is to provide assurance that local economies not only offer a dynamic market but also have a functional and co-ordinated platform for clusters to operate and succeed.

The business climate is not detached from a set of local employer and investor services and processes. At the local level, the speed with which problems or conflicts are recognised, handled, and changes authorised, has a large, cumulative impact on day-to-day operations. Relations with local officials, public sector bodies, and civic organisations are significant for how employers negotiate their local environment, administer investment and select locations. The reliability and long-term durability of procedures and planning regulations also affects employer / investor expectations and approaches to expansion.

In larger cities, where dense agglomerations of employment occur, local factors play a role in the extent to which the platform for business performance is enabling. Scale factors depend on a local economy's infrastructure platform, logistics system, critical institutional assets, functional supply chains, pool of skills, and location incentives. As such local economies provide a unique 'business platform', based on how open they are to corporate investment, how efficient they are in their dealings with employers, and how capable they are to foster and promote entrepreneurship.

Local leadership approaches to employment and investment climate:

- May not involve a formal strategy, but often require an all-inclusive approach to stimulate and support retention and growth of local employment and the attraction of new employers and investors to the local area.
- Can be a shared activity, requiring the unified and co-ordinated action of a range of key actors from both the public and private sectors.
- Often conceives of local economies as one-stop-shop vehicles that are responsible for the overall approach.
- May involve a targeted and mixed approach to reflect the requirements of a diverse private sector.
- Involves clear channels and platforms for communication between the private sector and public authorities.

The creation of vibrant private sector activity within local economies is therefore widely seen to demand explicit efforts from local governments and partnership bodies (chambers of commerce, development agencies, other tiers of government). These initiatives can help minimise regulatory and financial barriers to entry, and manage the risks associated with local commercial activity. Effective approaches to local have usually addressed local job retention, local employer and entrepreneur growth, and the attraction of new employers and investors to the local area.

There are three broad ways local economic leaders seek to address employer and investment retention, growth and attraction successfully. These are:

- Enhancing the local business climate – “Improving the product”: The delivery of interventions that enhance the performance of businesses. Local leaders can both improve the quality of their commercial environment as well as the quality of social and community environments.
- Delivering services to local employers and entrepreneurs – “Providing targeted support”: A city can deliver a number of activities directly to local employers to support their business growth, enhance their performance and facilitate inward investment.
- Enhancing the perception of the local business climate – “Promoting the business experience”: A local economy with a high quality business climate may fail to attract non-local employers and investors unless it communicates its advantages effectively.

Leaders in local economies are also adjusting to new trends in global investment. Their economies can no longer rely simply on a stable tax base, central transfer payments, grant aid, easy access to debt, or speculative development schemes. Leaders therefore not only recognise the importance of developing coherent strategies, and of turning a wish-list of potential projects into a structured package of priority projects. They also are responding to financing gaps and are becoming better at identifying the requirements of potential financiers who demand robust and well-formulated investment projects. In this respect, local economies are learning how to get their key development aspirations ‘ready’ for capitalisation.

Successful local economies develop a distinctive approach to investment planning, appraisal and attraction in order to build capacity and create jobs. **Greater Manchester’s** economic leadership team take a very proactive approach to target markets. Its Airport City, located within Manchester Enterprise Zone, is the city’s premier development opportunity marketed internationally, especially to China. It is the first project of its kind in Greater Manchester that has its own dedicated employment and skills strategy, approved by the Combined Authority. Airport City is one of many development projects being effectively organised to attract investment and jobs - other notable large scale projects include MediaCity, Kingsway and Port Salford which have brought significant additional opportunity to the area. A 10 year partnership was also recently agreed with private equity company Abu Dhabi United Group to build more than 6,000 homes in a deprived area of East Manchester, with the Abu Dhabi company citing the City Council’s vision and track record for regeneration as a major incentive. Investor demand is helping to drive faster than average growth and development in Greater Manchester, with a discernible effect on jobs. In the year to January 2015, the number of unemployed people claiming Job Seekers Allowance or Universal Credit fell dramatically, from 67,000 to 45,000.

Cities also need a multi-stakeholder system to prepare and market their local economy globally. **Amsterdam’s** leadership platform for economic development has been accelerated by the creation and consolidation of business-facing organisations that lead and promote the city. In late 2010 the Amsterdam Economic Board (AEB) was established and has rapidly emerged as the most important source of strategic advice and solutions for economic development. The Board’s emergence reflects the strong recent leadership focus on the global economy, and with increasing access to economic opportunity and housing. Private foreign

investment has been resilient in Amsterdam since the crisis with over 130 international companies basing themselves in the city in 2014 alone. The 2,500 international companies in the metropolitan area account for close to 15% of total employment, spread across sectors such as ICT, logistics and creative industries. Investment promotion and attraction is consistently a public-private venture, and collaboration between municipalities is expanding the scope of trade missions as well as the reach of the city's Expatcenter, which helps highly skilled migrants to settle (OECD, 2013a; I amsterdam, 2015a, 2015b).

In the new cycle of local development, leaders recognise that employers and investors can be:

- Sources of employment, growth, diversification, and resilience.
- Sources of investment in productive assets such as infrastructure, facilities, and real estate.
- Providers of choices for growth, helping avoid negative path dependencies
- Generators of local revenues and national taxes, helping to fund services, major infrastructure, or improvement projects.
- Creators of vibrancy – generating new student or tourist markets.
- Suppliers of opportunities for citizens, helping to address social cohesion.

The attraction of private investment needs to be undertaken with care, as investors can also have unintended negative effects on local economies. The attraction of some types of investment may sometimes lock in cities to patterns of land-use demand that may not be flexible for future uses (e.g. out-of-town retail) or may have the unintended consequence of reducing demand for services from established local firms. Inward investing companies need to be integrated into local skills systems, supply chains, and distribution systems if their economic impact is to be optimised. Local economies also need investors to assume a leadership and stewardship role in order to prevent externalities that later mitigate against their own interests.

In order to attract employers and investors, leaders in local economies must decide how to use traditional and newer tools. Traditional mechanisms include tax incentives, special economic zones, job subsidies, bespoke taxes and PPPs. More recent tools and sources include value capture finance, international financial institutions and financial intermediation, project bonds, private equity, sovereign wealth funds, public equity, capital flexibility in public budgets, and fiscal reforms.

For large local economies, the nature and scale of opportunity is different compared to the period before 2008, with a much stronger focus on investor needs. Local economies have had to develop portfolio investment strategies, ensure project bankability, present a credible investment process, de-risk investment, and alter their investment advocacy tactics. Financial insight, political courage and stable leadership is critical in all these areas, and without these ingredients local arrangement may not mature.

Collaborative leadership for the labour market

This report began with the premise that effective leadership and sound governance are critical factors to achieving local inclusive growth. Employment, housing, healthcare, education and integration are critical drivers of economic development which local leaders tackle head on.

Nowhere is the case for leadership more sharply focused than on the role of skills systems and education and their link to labour market efficiency and effectiveness. The key to local economic growth is increased skills which contribute to productivity, combined with improvements in the jobs base and business attractiveness of a locality, in order to motivate and retain a mobile workforce.

Hamburg illustrates the potential for collaborative leadership to improve skills and economic inclusion. The city possesses a high quality education and training system, beginning with small classes for primary school and extending to its acclaimed youth employment agency (*Jugendberufsagentur*). The agency provides a one-stop service for the needs of jobseekers under the age of 25, relating to education, employment, support services or extracurricular pathways. It also leads the process in Hamburg of developing systematic career advice at school and increasing the proportion of direct transitions from school into training. Hamburg has seen the number of students in higher education grow from 70,000 in 2008 to over 90,000 in 2013 (Statistikamt Nord, 2015). Public and private sector leaders play an important role in ensuring inclusion. The City recently abolished a range of fees associated with schooling and daycare, and the Chamber of Commerce actively supports the integration of refugees with language training and long-term skills monitoring in order to support faster integration into the labour market. Alongside this, Mayor Scholz has publicly spearheaded the city's "Ich bin Hamburger" naturalisation campaign to accommodate the growing number of new arrivals to a common purpose and spirit of the city (Bhaskar, 2014; Hamburger Abendblatt, 2015).

The city of **Glasgow** is another to have made significant progress in its support of youth employment over the past decade. In response to the sharp increase in unemployment from 2009, Glasgow City Council's £50million Glasgow Guarantee has created more than 4,500 jobs, apprenticeships and training places, through projects such as the Commonwealth Apprenticeship Initiative, the Commonwealth Jobs Fund, the Commonwealth Graduate Fund and the Commonwealth Youth Fund. The Council provides businesses with up to £8,000 towards the costs of each new or additional apprentice they can take on, in addition to a training contribution from Skills Development Scotland. Glasgow's apprenticeship success is viewed as a product of shared leadership responsibility and shared targets for the city. A Youth Gateway model promotes information sharing and joint service commissioning, and brings schools into the partnership model. Through partnerships with large companies, such as construction firm City Building, the employment rate for young people in Glasgow bounced back strongly 2013, rising by 7.4% (Business Scotland, 2015; OECD, 2013b).

Glasgow has shown how business leadership groups can play a role in assembling networks of employers to solve jobs challenges. The city's Chamber of Commerce set up a Youth Employment Action Group with more than 25 employers directly involved, including

Scottish Power, Scottish Water, Marriott, the Weir Group, GTG Training and Network Rail. Business sponsors have been found for secondary education institutions, and mentors recruited for disadvantaged youngsters through a campaign called Inspiring 500. Glasgow is also home to Scotland's first Invest in Young People Group that leverages major employers to improve links between education and work (Scottish Government, 2015). This reflects the dynamic of genuine collaboration between the City Council, employers, schools and business groups.

Other cities focus on skills and inclusion by targeting geographic areas of deprivation. A key part of **Auckland's** plan to combat youth unemployment is the city's Southern Initiative. Unemployment for young people aged 15-24 is 22%, above the OECD average, and more than half of NEETs have a Pacific or Māori background. On the premise that the expected per capita cost of each NEET youth is approximately NZ\$30,000, the Southern Initiative targets four local board areas of very high social need and economic opportunity. With a small core funding envelope of \$180,000 a year for 10 years, its main focus is to strengthen families and support stable homes, through initiatives on skills, achievement and housing (Anderson, 2012; Auckland Council, 2014a). So far the Initiative has sought to increase rates of early childhood learning, immunisation, home insulation and school attendance in South Auckland, with some success. An Infrastructure Consortium is facilitating up to 200 trainees per year into apprenticeships and lasting employment, while an employment scheme at nearby Auckland Airport has also been successful. Auckland Council and its local boards have invested in physical and social infrastructure such as parks, libraries, leisure centres and arts centres (Auckland Council, 2014b).

Enabling people to live closer to where they work and to be able to afford decent housing in lower and middle income paying jobs is critical for the labour market to provide mobility and progression. **Vienna** has strengthened its labour market functioning by ensuring that housing policies operate to support workers. The city has a successful social and affordable housing policy whereby 60% of households live in subsidised apartments and about 80% of newly built houses are publicly subsidised projects. Its model builds on a well-balanced interplay between municipal housing and new housing construction by limited-profit housing companies, and a political consensus that fair and social housing policy needs substantial public funding. In 2014 the City spent €334 million on new construction, €252 million on urban renewal measures and €94 million on individual housing allowances (Antalovsky, 2015).

Vienna's ambitious housing policy is only possible because the City of Vienna is the biggest landlord in the city. Today the city owns around 230,000 apartments, which house about 500,000 people, nearly a quarter of the population. A powerful Land Procurement and Urban Renewal Fund sells or rents land to housing-co-operatives who oversee most of new social housing construction. Low land prices enable the limited-profit housing associations to reduce their costs, and the market power of the Fund helps keep land prices reasonable. Private landlords must compete with social housing for the same tenants, and cannot afford to inflate rents. The Fund cooperates intensively with the Vienna Business Agency and Vienna Holding, also owned by the City, in the context of large urban development sites where new housing is subsidised.

Most affordable housing is constructed by around 30 active limited-profit housing associations, where the maximum monthly total rent for a subsidised apartment is currently €7.5/m². The income eligibility criteria are such that most of the city's middle classes can participate. Profits have to be reinvested in social housing construction. The City's own building programme has also recently restarted (average rent €5.30/m² incl. running cost and taxes) due to substantial population growth and pressure on housing prices. For the last three decades Vienna has also used a housing renewal subsidy system, whereby the City offers grants to landlords willing to upgrade their property, with only fixed limited rent rises allowed after the renovation for 15 years. More than a quarter of the housing stock has been upgraded in this way over the past 30 years.

Through these approaches Vienna achieves a high level of social mix and provides pathways for a growing population to enter the labour market and to achieve high standards of living on lower and middle incomes.

Who are the leaders involved in local economies?

Local Government

Local government is pivotal to the leadership framework of local economies. In addition to the roles played by senior leaders, individual local government departments also play an important role in delivering inclusiveness, for example by ensuring active labour market policies. In Hamburg, the city's Employment Agency helps unemployed locals to start their own company using funds of over €15 million annually, which finances over 1,400 start-up grants annually to prospective entrepreneurs, in addition to up to 15 months of cover for social security (Hamburg News, 2015).

Each city's *institutional framework* is decisive in shaping the powers, autonomy and flexibility that local government leaders possess. Leaders must work within exiting institutional constraints, but in lieu of radical reforms they must also invent new arrangements and vehicles to promote local economic development.

Some examples of the challenges and new institutional vehicles are:

State and local government working together:

Hamburg's governments partner especially effectively to tackle the risks of housing unaffordability. The Senate's **housing programme** is one of the largest and most successful in Germany, building thousands of homes each year for families, single and older people across the price ranges. The number of housing units constructed each year has increased from 3,600 to well over 6,000, a remarkable shift that has over achieved on original targets, while the City has also exceeded its target for 2,000 subsidised rental housing buildings per year every year since 2011 (Statistikamt Nord, 2015; Die Welt, 2014). This step change in housing has begun to absorb the very high demand to live in Hamburg. An 'Alliance for Homes' between the Senate, associations of the housing industry and municipal housing company SAGA GWG has set the specific objectives for an inclusive housing market, and Senate districts support the objectives by ensuring a faster approval process and the provision

of affordable urban land. The programme has also sought to amend relevant state government statutes including the protection of living space, and has taken advantage of federal government legislation to cap rent increases (City of Hamburg, 2014).

Building effective regional alliances of local government

Stable and secure dialogue among the leaders of local authorities that comprise a functional economy is a prerequisite for many local economies' adjustment to new economic and spatial imperatives. In **Manchester** 10 councils became signatories of the voluntary Association of Greater Manchester Authorities (AGMA), which worked to unite the priorities of the 'outer' boroughs with the ambitions of the City of Manchester. In the UK, Manchester was one of the first cities where institutions began to jump political boundaries and address the functional economic area, and there has been more sustained political alignment and co-operation than is typical elsewhere. The success of regional collaboration has been attributed partly to Manchester's monocentric character, which has driven consensus about the location of growth, and partly to the City of Manchester's underbounded borders, which present an obvious rationale for leaders to negotiate purposefully and pragmatically with surrounding local authorities (Hildreth, 2011). In addition to proactive engagement at the level of the local economy, regional leaders have also helped build a mature set of relationships imbued with trust and conviction in a positive sum game. One notable example is Lord Peter Smith, the current Chair of the Greater Manchester Combined Authority. As Leader of Wigan Council, he has played a statesmanlike role in AGMA, and his buy-in to the Greater Manchester project gave confidence to other leaders in outer authorities that the benefits would be absorbed fairly across the Greater Manchester economy.

For some cities, it is leaders' shared desire to enhance branding visibility in global markets that drives alliance-building in the local economy. **Stockholm's** 'Capital of Scandinavia' brand has been the primary vehicle for uniting municipalities behind a common message and strategy, and filling the leadership deficit. Under the leadership of the mayor of Stockholm, in 2006 43 municipalities in the region were invited to join a partnership dedicated to international branding – called the Stockholm Business Alliance. This proposal stemmed from a growing recognition in the region that Stockholm's economic profile depended on remaining competitive in investment, worker, visitor and student markets. An initial 30 municipalities agreed to join the alliance in order to create a unified platform for branding and hosting incoming firms, rising to 53 municipalities today.

In **Amsterdam**, a national government Act to create regions where municipal co-operation was mandatory for spatial planning, housing, transport, economic development and the environment resulted in a new regional structure called the Amsterdam City Region (*Stadsregio*). Established in 2007, the *Stadsregio* was the first time an inter-municipal structure had acquired policy and grant funding powers in Amsterdam. A formal consortium of 16 municipalities, its Regional Council has 56 appointed members, of which the City of Amsterdam itself was allocated 21 seats. The *Stadsregio* carries out a number of statutory duties with a common budget, the majority derived from a central government transport grant (*Stadsregio Amsterdam*, 2014a, 2014b). Although the obligation for municipal co-operation now no longer applies, Amsterdam's municipalities have continued to co-operate to improve transport connections, spatial management and economic development. At the same time, the

Amsterdam Metropolitan Area (MRA) has emerged as a voluntary regional partnership at a larger scale, acting as a vehicle for collaboration on economic development between local authorities, provinces and business membership groups.

Development Agency model

Many local economies have sought to combine leadership and management functions in a dedicated development agency, in order to ensure efficiency, quality and public accountability. Hamburg's flagship port redevelopment has been led since 2004 by HafenCity Hamburg GmbH, a development agency that benefits from clear political support and access to finance from public land sales commercialisation. (Management of the development was entrusted to GHS Gesellschaft für Hafen- und Standortentwicklung mbH in January 1998, the company was renamed HafenCity Hamburg GmbH in 2004). The City subsidiary leads the redevelopment process, preparing sites and public spaces, engaging with developers, and overseeing the development of physical infrastructure and amenities. The complex challenges of allocating over €2.4 billion of public investment and attracting over €3 billion of private investment has benefited from a strong management model where a high degree of public control is retained (HafenCity Hamburg GmbH, 2014).

Development department model

Some local economies do not opt for a development agency model but instead successfully co-ordinate development via departments within the local authority. In Amsterdam, Ground and Development (Grond en Ontwikkeling) Department - formerly the Amsterdam Development Corporation - shapes Amsterdam's space available for jobs and workers through its multiple real estate roles as advisor, negotiator, fund manager and landowner. The department has helped oversee a record 5,200 homes constructed in 2014, nearly 40% of which are for social housing including student and youth housing. This rapid increase was helped by the conversion of office buildings, experimenting with long lease terms, and the acceleration of planning procedures (Gemeente Amsterdam, 2015).

Raising investment resources

Hamburg has improved its system for attracting external investment, and is witnessing a significant rise in foreign real estate investment, which accounted for nearly half (44%) of all transactions in 2014 (HWF, 2015a). This is pursued through the attraction of new firms and through the real estate investment and development markets. For the former, HWF Hamburg Business Development Corporation has played an influential role for 30 years in attracting new employers to Hamburg and in developing local economic policy. Since 2014, HWF has been assigned new responsibilities, including the marketing supply of commercial properties, the provision of publically-owned premises for the logistics sector, and support of industrial development in the eastern areas and leadership in the regeneration of Hamburg's eastern districts (HWF, 2015b). Public agencies and developers such as HafenCity Hamburg GmbH, IBA Hamburg GmbH and HWF also play key roles in terms of marketing new real estate to target audiences, principally local and regional investors, developers and owner occupiers. One of the major new projects in the city HafenCity is the Überseequartier, purchased in 2014 for €60 million by Unibail-Rodamco, one of

Europe's leading commercial property companies, which is supporting the city's commercial development housing construction drive.

Greater Manchester's leaders have successfully focused on pooling public resources and maximising economic returns. In 2009 the Greater Manchester Fund was set up, which required the ten local boroughs to invest over £1bn on joint transport projects. The investment capacity of Greater Manchester was further enhanced through Regional Growth Fund and Growing Places funding awards with which Greater Manchester successfully developed a unified Investment Framework that prioritised a pipeline of commercial and physical projects according to measurable impact. This assembly of funding streams (totalling some £170m) has enabled the region to focus on effective resource management and growth optimisation. The commitment to collective investment decisions that apply across more than one cycle of development and which do not benefit all authorities equally, was a clear indication of Greater Manchester leaders' belief in pooling for the greater good. As of early 2015, the suite of Greater Manchester Funds had committed in excess of £160m and delivered more than 8,000 jobs with ambitions to create further complementary funds from the 2014-20 European Regional Development Fund programme.

Two other particularly important groups in the wider local leadership system are civic leadership and business leadership groups.

Civic leadership

Local economies benefit from strong, integrated civic leadership that drive a local development coalition. Civic leadership encompasses all leadership activity within a given locality that serves a public purpose (Hambleton, 2011).

Civic leaders hail from a wide range of bodies, as representatives of NGOs and community based organisations, religious groups, trade unions, universities, arts institutions, charities, social networks or community volunteers. The distinguishing feature of civic leadership is that it is place-based: that is civic leaders are concerned about focusing on the needs of a place as a result of loyalty and civic identity. Often its contribution is to leverage collective leadership to assemble a fact base, build consensus for action around a limited set of issues (e.g. education, services, and infrastructure), incubate programmes in strategic areas, and attract attention from local and higher tier governments.

In North America there are a number of recent examples of positive civic leadership. In Toronto, the Greater Toronto Civic Action Alliance emerged in the early 2000s to bring together a diverse group of leaders at summits to assess leadership and fiscal challenges and build agenda to address them. Its agenda has involved many initiatives such as income support reform, an immigrant employment council (TRIEC), a sustainability strategy called Greening Greater Toronto, and DiverseCity which sought to improve minority representation in public positions.

In New York City meanwhile, local government decision making remains fragmented across the three states, but the Regional Plan Association – a not for profit organisation - engages in research, planning and advocacy that addresses the functional tri-state region of

New York-New Jersey-Connecticut. Having already raised the profile of inclusion through its 2014 report *Fragile Success*, the RPA's forthcoming Fourth Regional Plan will create a blueprint for the New York region's inclusive growth for the next 25 years (Regional Plan Association, 2014).

In *Organising Local Development* (2010), OECD LEED drew attention to the role of key faith group leaders in building local organisations that can provide important education, employment, and childcare services to local populations that are otherwise disadvantaged in the labour market. The case of the Abyssinian Development Corporation highlights how faith group leaders can create vibrant local NGOs that provide hope for greater participation in local economies.

Business Leadership Organisations

Business leadership organisations (BLOs) are important actors in the leadership and governance landscapes of many local economies. The formation of business membership and leadership groups is a recent and growing trend, wherein local employers join together to form coalitions which advocate for pro-business and pro-globalisation policies, for infrastructure and skills development. Using regular stakeholder surveys and in-depth research, these organisations make powerful cases for enhanced infrastructure and connectivity, for a unified vision for the local economy, and for clearer investment frameworks with national, supra-national and state-level governments. BLOs usually adopt a non-partisan position and try to offer an additional source of leadership as a valued partner of local governments, rather than seek to provide substitute government functions.

BLOs have the advantage of being able to **escape many of the constraints** which bind local government. They are able to think well beyond short-term electoral cycles, and can frame their thinking in terms of the business and economic cycles which are critical to local development. They can also look beyond local political geography and the silos of municipalities to consider their local economy's entire functional economic geography and to recognise inter-linkages with neighbouring labour markets. Perhaps most important, BLOs act as important advocates for improvements in local institutional frameworks by lending their voice to campaigns for greater investment and great devolution of powers to local government, and by leveraging their role as 'customers' to petition higher tiers.

BLOs can make a decisive difference to local economic development as a complementary actor to local government, helping to fill the gaps in the system. Indeed BLOs are popular not only with their private sector members, but usually also with local leaders. Their key contribution to local economic development can be summarised as follows:

- Thinking **beyond short-term electoral cycles**. BLOs can frame their thinking in terms of the business and economic cycles which are most relevant to local economic development. Local government rarely has the inclination or resources to take such a long-term view. Sometimes the collective voice of a BLO on issues such as housing, transport or immigration can insulate local leaders from the political costs of making expedient decisions, and in particular from the disabling threat of mass media uproar.

- Looking **beyond local political geography**. BLOs can think outside of the silos of municipalities to consider their entire functional local economic region and to recognise inter-linkages with neighbouring labour markets. In local economies where political divides run deep, business leadership can sometimes have a powerful professionalising and sobering effect on politicians and the standard of political discourse.
- Contribution of **private sector expertise to local economic development**. The members of BLOs have useful experience in branding, sales and marketing, and are used to setting agendas and prioritising. Private sector leaders often have a much deeper understanding of ‘the competitor’ (i.e. other cities) and the global nature of marketplaces than local government does. Business coalitions can be a source of confidence, energy and knowledge for other stakeholders in the local economy. They can also be a source of evidence-led analysis for the region that public sector institutions are sometimes unable or unwilling to do. Evidence-based exercises and commercial knowledge can clarify the range of future paths a locality can choose, and present alternative opportunities for taking a new path (e.g. densification, economic diversification, transit-oriented development).
- **Effective advocates**. BLOs have a strong bargaining position with national governments, leveraging their position as ‘customers’ of government services. The collective voice of a local economy’s employers and investors can have much more clout than that of a ‘subordinate’ local authority.

BLOs have become a driving leadership force in almost all of the world’s most successful cities. London First is a key player in London’s governance landscape, and the Partnership for New York City Partnership plays a similar role in New York. Bombay First, World Business Chicago, Edinburgh Business Forum and the Committee for Melbourne are counterpart organisations. These groups are not only relevant to the world’s most advanced local economies. In Colombia, ProBarranquilla and ProAntioquia have been vital forces in city and regional development, and ProBogota has recently been launched in the capital in response to their success. As we see below, business leadership is also a key shaper and influencer of local economic development in the four case study cities.

Business leadership organisations may engage in different ways in local economies. At one end of the spectrum, some focus simply on providing services for their members and representing the needs of businesses. At the opposite end, others have become mature and influential actors in the local economic system, and play a vital leadership role in the local development process. The examples below illustrate the variety of roles and interventions they play to make local economic development more efficient and inclusive.

Box 2. The contributions of business leadership organisations to local economic development

- *Advocate. They can advocate more effectively with higher tiers of government than local government can because they represent 'customers' rather than 'subordinates' of national and regional governments and have greater leverage.*
- *Promotion and attraction. They can attract employers and investors by offering a ready home or 'club' and by articulating the attractiveness of the local economy and wider economic area as a business platform from the position of 'credible' users.*
- *Collaboration. They can encourage regional collaboration between local economies because they are often engaged in several different neighbouring localities at the same time and can easily point out the futility of inter-local competition.*
- *Consensus building. They can also encourage cross-party and bi-partisan consensus and collaboration because they are nonpartisan.*
- *Sponsorship. They can pay the costs of certain activities that it may be difficult for local governments to fund directly (e.g. hosting of celebrity speakers, or bidding to stage events, or advertising for the local area).*
- *Brokerage. They can broker participation of other leading organisations such as universities, airports, cultural and sports institutions and many others by broadening the base of organisations involved in promoting local economic development.*
- *Innovation. They can improve the quality and innovation of local economic development strategies and programmes by using their know how in contested markets, such as through branding and marketing, financial innovation, and benchmarking.*
- *Communication. They can communicate more effectively with media the need for local economic development and may be seen as less self-serving than local governments in doing so.*
- *Organisation. They can be an organising vehicle for combined corporate social responsibility activity on a larger scale than is possible when firms and their leaders act alone.*
- *Internationalisation. They bring to bear international experience rapidly through their networks and branches in other countries, and can especially reflect demand side opportunities that others within the local economy may be less aware of.*

Some local economies benefit from highly established business leadership institutions. Hamburg's 350 year-old **Chamber of Commerce** is highly influential in local economic development, representing over 160,000 companies across a wide range of sectors. It upholds an ethos of rational economic assessment and intervention, drawing on its own business climate index and skilled workers monitor as tools for government decision-makers (Hamburg Chamber of Commerce, 2014). There is a constructive ethos of collaboration between the Chamber and the city government, and former chamber President Frank Horch is now a

Senator with responsibility for economic policy. The Chamber has lobbied actively for the deepening and widening of the River Elbe, which are seen as critical to cope with demand from larger ships as the port achieves record annual turnover. The Chamber has been instrumental in the creation of Hamburg's Business Improvement Districts (BIDs) and is now also a major backer of the Olympic bid.

Business network organisations offer local economies agile leadership that does require the development of a fully-fledged institutional apparatus. The new **Amsterdam Economic Board** constitutes an important consolidation of the business-facing organisations that lead and promote the local economy. Established in 2010, the AEB is a small, lean private sector-led network of leaders that provides representation to local governments, knowledge institutions, employers and investors. With basic annual funding of just €3 million, two-thirds funded by local governments, it has rapidly emerged as the most important advisory body for local economic development. The Board engages in cross-cluster projects, such as its 'Making Talent Work' scheme that sees the MRA invest €14 million with the national Ministry of Social Affairs to optimise the regional labour market. It is driving the so-called 'triple helix' of collaboration between industry, research institutions and municipal and provincial authorities, by identifying opportunities to share, partner and build projects. The Board has added strategic leadership in Amsterdam, and its plan up to 2020 aims to highlight the city's unique USP as a place of human scale, with creativity in its DNA, and with outstanding international connectivity through Schiphol (Amsterdam Economic Board, 2013).

Private sector leaders can also contribute and engage in local economic leadership challenges by creating an evidence base to propose policy. Manchester's £1.3m **Independent Economic Review (MIER)** drew on a commission of national and international innovation leaders and academic economists, to create a new narrative about the longer-term economic future of Greater Manchester. It made a robust case that Manchester, like London, was an 'escalator' region for aspirational young people, a role it had to develop further. The Review's work convinced Manchester leaders to alter their focus on specific sectors towards the fundamentals of employee skills, transport and housing. Among other things, the Review influenced the decision to develop the Enterprise Zone near Manchester Airport, to link transport investment to growth targets, and to target the roots of economic inactivity and worklessness. It also had the effect of reinforcing the bond between local authority leaders because of the commitment to collective investment and collective infrastructure (Chapman, 2012).

Business leadership groups can also act as persuasive advocates for a fairer and sustainable model of growth and employment. In Glasgow, the Chamber of Commerce has taken active approach to addressing low wages and poverty in the city, from the perspective that wealth creation can help tackle the persistent challenges of worklessness and deprivation. In 2014 the Chamber's Chief Executive took up a place on the city's Poverty Leadership Panel, alongside City Council leaders and community representatives. The Chamber carried out a full review of the impact of the Living Wage with its business members in 2015, engaging the Glasgow Employers Board and consumer associations such as the City Centre Retailers Association (Glasgow Chamber of Commerce, 2014, 2015).

In other local economies the private sector does not have a direct shaping role for local development policy, and larger employers tend to engage with local authorities on an individual and ad-hoc basis. In **Stockholm**, the major mechanism for employer-agenda-setting is the Stockholmsmötet (Stockholm meeting). Founded in 2004, the annual event provides an opportunity for 101 politicians from the City of Stockholm to meet 101 senior leaders of the business community, in order to discuss topical issues for local economic competitiveness such as infrastructure, skills and international positioning. Hosted by the Mayor of Stockholm, the Chamber of Commerce Chairman and Stockholm Business Region, the meeting has been broadened to include municipal leaders from across the 53 municipalities, and major employers. In 2015, the 300 participant meeting focused on the economic area's international role and key partners.

Cluster organisations

Cluster organisations are also increasingly a source of leadership in local economies, especially as they mature and their character of co-operation become more systematised. Business networks established by companies, universities or government departments and overseen by experienced networking professionals provide crucial support to the activities of firms, education providers, research institutions and business groups.

In **Hamburg**, for example, cluster activities have been visible for nearly two decades. In 2002 the Senate adopted an explicit approach to cluster development, including digital and media and most recently renewable energy and maritime industry. Public sector leaders have gradually become long-term partners and promoters of cluster innovation, by bundling multiple policy areas within one ministry. In Hamburg's case cluster agencies have direct access to city government ministries, can gain customised support, and even have strategic capacity to address skills issues.

Other localities have a shorter history of cluster leadership but are making rapid progress to address the innovation system. In **Stockholm**, cluster bodies and initiatives involving local firms, universities and regional development bodies, have begun to emerge over the past decade with particular success at building skills competences and marketing. The City of Stockholm has invested heavily in R&D, IT and key science clusters, encouraging synergies between its 21 universities and university colleges, research institutions and leading global firms (including Ericsson). Stockholm IT Region is one key cluster that combines the input of leaders in local government, the County Council, company representatives and academia to address computer skill shortages.

Attracting talent

A number of leadership groups are organising more effectively in local economies to attract talent. These initiatives make the case that attracting highly skilled individuals to key high-value sectors – e.g. insurance, professional services, bioscience, creative industries, ICT, and research - is a way to catalyse more spin-off jobs, and more varied opportunities for lower-skilled groups, than strategies focused on traditional sectors. They also advocate that young skilled migrants are vital to aging labour markets. In effect the argument is that talent attraction strategies “serve the larger purpose of making the city a good place for all to work,

live, invest and visit” (Committee for Sydney, 2013: 17). These approaches inform recent developments in Barcelona, Auckland and Sydney.

In Barcelona, a new business-led organisation has emerged recently called **Barcelona Global**. A fully private entity comprised of some of the local economy’s most influential employers, investors and professionals, the organisation is committed to making Barcelona one of the best places in the world to attract talent and develop higher value economic activity. It is strictly funded by its members and has begun to create an agenda of economic development focused on talent and internationalization. In 2013 it launched a Talent Monitor to learn how the city is perceived by 800 international professionals based in Barcelona, with support from chambers of commerce and Barcelona Activa among others. The Monitor has helped focus efforts on improving the level of English in professional and educational contexts, making salaries more competitive, and reducing procedures and bureaucracy (Barcelona Global, 2013, 2014).

Business leadership organisation **Committee for Sydney** has partnered with NSW Department of Trade and Investment to launch a Global Talent Hub project that explores ways to turn local skills into internationally competitive talent, as well as to use Sydney’s comparative advantages to attract workers from overseas. An Advisory Board of internationally-oriented companies and individuals issued a 3,000 person survey to identify the locational choices of mobile staff and companies. Its findings were used to advocate messaging that concentrates on the career benefits of Sydney in equal measure to the lifestyle advantages, and to focus on the “dream demographic” of 25-34 year olds including especially women and those from Asia (Committee for Sydney, 2013). At the same time, the project also showcases the potential for business leadership to work effectively with public departments.

In Auckland, the **Committee for Auckland** has an established Cities of Migration project that publically showcases best practice in immigrant integration and inclusion. Auckland has seen more than 100,000 skilled migrants settle in the city since 2006. As part of a network of international foundations, the project aims to raise and highlight the economic contribution of migrants to Auckland through employment, vocational and skills training, and workforce diversity. The broader aim is to create a culture of optimism and hospitality around migration, and to invest in the wider infrastructure that can support a growing and diversifying population base.

Changing Economic Geographies.

Functional economic regions/areas are one important focus of debates about local economies’ institutional frameworks. Rapid growth of urban economies means that many have extended beyond their original geographical boundaries and the effective economic area is now under the control of many different neighbouring local governments. This creates the most fundamental of challenges for local economies:

- how to create coherent rather competitive relations between such neighbouring local governments within a single labour market area? And

- how to encourage the other players in local economic institutional frameworks (higher tier governments, private and civic sectors, and other authorities) to play their roles in ways which support the wider economic area as a whole, and contribute to its leadership.

Bruce Katz and Jennifer Bradley (2013) have pointed out that metropolitan areas are effectively now lead through networks of “tens if not hundreds of thousands of leaders” who must collectively steward and guide their regions and coproduce their economies.

Institutional reform across extensive functional economic areas is an important topic in many developed nations and cities such as Barcelona, Frankfurt, London, Montreal, Portland and Copenhagen have instituted reforms in recent decades (OECD, 2013c). When national and higher tier governments look at labour market areas they face some stark and politically difficult choices. These include whether to:

- Redraw formal geographical boundaries so that the main local government controls and manages a wider territory (as done recently in Moscow, previously in Brisbane, and elsewhere).
- Develop a new institutional framework that consolidates various local entities into either a new single tier (Auckland, Manchester) or two tier (Miami, London) system.
- Develop a new upper tier body which is part of a higher tier of government (Mumbai MMRDA, Manila MRDA).
- Support more informal co-ordination efforts and strengthen them with higher tier participation.

Informal co-ordination efforts are sometimes easier to develop and may help build momentum for wider reforms. Stockholm is a positive example of ad-hoc collaboration among local authorities that vary significantly in size and economic character. The local economy’s institutional leaders have forged an important consensus around a proactive and confident competitive agenda, underpinned by an explicit inter-municipal leadership alliance and the tacit support of the business community for the city’s brand and investment attraction.

In 2002, with mechanisms for economic development siloed and weakly co-ordinated, inward investment agency Business Arena Stockholm was re-integrated into the city’s economic development agency, in order to create an environment for political leaders to engage more effectively with business leaders. This decision reflected a growing acknowledgement that the City of Stockholm’s economic development activities needed to operate at a wider scale, which eventually resulted in the formation of a Stockholm Business Alliance that could offer a unified platform for branding and hosting incoming firms.

The Alliance is the leadership platform that supports the agency known as the Stockholm Business Region. The Stockholm Business Region has become the major driver for municipal co-operation, partly because it possesses cross-party leadership. All political parties are represented on its Board, and there has been more or less broad consensus on the decisions made. In 2007, members agreed to the goal of becoming the leading region in Northern

Europe with the best system for attracting foreign investment. 53 municipalities now participate, contributing a set sum per inhabitant to the joint budget for the alliance. Within the Stockholm Business Region Group, a Stockholm Visitors Board (SVB) markets Stockholm as a tourist destination in target markets, while Stockholm Business Region Development (SBRD) is a one-stop shop for potential investors, employers and entrepreneurs, and shares responsibility for delivering the regional innovation strategy.

Collaborative leadership through strategic economic development

With leadership functions often siloed across different tiers, sectors and systems, mechanisms to unify leadership teams as part of a common project are very valuable. Strategy making is one such tool being applied in many local economies. This approach looks to address the local economy as a system, rather than as individual jurisdictions, political mandates or investment cycles. When done well, it can help local economies manage population growth in a socially and economically effective way, and respond positively to the risks attached to global economic competition and environmental uncertainty.

The case for a strategic approach to local economies is often put forward in light of leadership and co-ordination failures at the city, regional, state or national level – whether in the under-investment or under-planning of a locality’s structure and infrastructure. While its value is now widely recognised, its realisation does not come easily to most local economies, because most were designed with the political framework to deliver services rather than develop future strategy. Although many of the problems and solutions are known and shared, achieving political consensus and insulated delivery structures is difficult.

The process of devising a strategy can, however, catalyse a new phase of outreach and alliance-building across local economic leadership. Inter-municipal collaboration can create the will for investment resources from political interests that are often localised, risk-averse, or mistrustful of broader agendas. A strategic approach can build inter-municipal partnership first around single areas of service delivery, or around spatial master planning, and then extend it more widely. In the case of Auckland, for example, consolidation or amalgamation of city government in 2010 has been the spur to other public sector bodies signing up to a more integrated vision.

Strategy making can also clarify and hone the system of responsibilities across the public and private sectors, and can help local economies where public and private sectors do not understand or appreciate each other’s contribution. It can forge organisational partnerships that cut across boundaries, industries, government tiers, public and private sectors. Lobbying and advocacy from these coalitions maintain interest and commitment in existing pipelines of development, as well as creating a context for leaders with broader vision to emerge. There are many examples where a strategy making process helps bring about a public sector management team that is determined to deliver a plan that can endure across political terms and become stitched into the budgeting system.

Turin is an example of a city that has successfully brought together a broad spectrum of local actors around the task of regeneration and competitiveness over the past two decades. The Associazione Torino Internazionale first pioneered a strategic consultative approach to

planning in 2000, and again later in 2006. Since the global financial crisis, the city has had to re-assess the structural deficiencies in its development model, and in 2012 in collaboration with the OECD LEED Programme it re-galvanised around the task of a third strategic plan.

After engagement with the 38 municipalities and consultation across eight working groups, Turin created an Economic Development Commission of 60 public and private sector bodies, and a separate Metropolitan Area Commission to represent the municipal administrations that have since formed the Metropolitan City of Turin. Alongside the 8 working groups, three panels were established to explore Turin's potential as a University City, Gastronomic Capital, and International City. The vision that has emerged from the collaborative process of strategy making is for Turin to become a capital of advanced manufacturing, research, innovation, and design, supported by an enabling framework that is much more business friendly. New proposals emerging from the city's plan include a new one-stop business portal that integrates existing public platforms, and a new business incubator focused on growing businesses within social innovation in order to provide social services via a more business-oriented approach.

In other cities, the re-organisation of the delivery system has been essential to building a new strategic prospectus for the local economy. **Cape Town's** delivery system for solving structural development and employment challenges across the whole functional economy has been strengthened since 2012. The Western Cape's Economic Development Partnership is a new kind of body in the region, in that it is a collaborative, cross-sector and private sector-focused organisation that intermediates in order to build a unifying narrative around Cape Town's economy. With a small core staff, and steered by a 14-member Board, the EDP uses partnerships with municipalities, companies and non-governmental bodies to distribute knowledge through the local economic development system and to incentivise job creation. Having been endorsed by the provincial government and the City of Cape Town, the EDP has acted on its mandate to develop much stronger market intelligence and pursue the shared vision of OneCape 2040.

Long-term government funding envelopes are triggering new institutions and collaborative formats in some local economies. In 2014, a Glasgow City Deal was agreed by national and local governments to fund major infrastructure projects and address labour market challenges, channelled into a programme of work that will support the local economy into the 2030s. This has seen two new bodies established to collaborate on how the Deal is coordinated to maximum effect; the Glasgow and Clyde Valley Economic Leadership Board and Commission on Urban Economic Growth. The Economic Leadership Board is working to attract high calibre individuals across many business sectors to be part of the Board, while the Commission is chaired by the Principal of the University of Glasgow, Antonio Muscatelli. The Deal aims for Glasgow to develop a highly skilled and entrepreneurial workforce able to engage fully with the labour market, and these bodies will help explore new ways to assist specific groups identified as suffering greater disadvantage in the labour market (Glasgow City Council, 2015).

Cities such as Glasgow, Turin, and Cape Town have developed local economic strategy making exercises as means to chart their future and to engage partners in a combined effort. This has often created opportunities for wider collaboration and economic development has

proved to be a catalyst for other initiatives such as hosting international events, attracting new facilities and institutions, and reconfiguring infrastructure.

The four case study cities in this report have also built joint economic strategies to promote job creation and investment, and their economic strategies have led to major urban redevelopment in Hamburg, interventions in the hosting market in Stockholm, airport enterprise zone expansion in Manchester, and collaboration on city branding in Amsterdam.

Innovation in City Leadership

Local economies are frequently burdened with a mismatch between what they need and what they can achieve through their traditional management, service, and investment systems. National and state governments are often slow to implement reforms that will provide the right tools. Therefore, local leaders engage in the invention of tools, policies, instruments, organisations, and coordination vehicles to bridge the gaps.

Although it is the formal leaders of local economies who are building the new approaches, policies and tools and who are leading the reforms which support them, they often need support from others to make space for these innovations or to institutionalise them. This means that formal leaders of local economies must also influence, persuade, and coordinate others in order to innovate.

Manchester is a very clear example of successful innovation in the leadership and coordination of the local economy. After a decade of groundwork, Manchester's leaders have recently overseen significant improvements to the institutional framework and delivery capacity of the Greater Manchester functional economic area. Led by Sir Richard Leese, Leader of Manchester City Council and Sir Howard Bernstein, and Sir Richard Leese, the Chief Executive and Leader of Manchester City Council, its institutional innovations have significantly shifted national and local policy agendas and discussion across the United Kingdom.

Manchester has strengthened the institutional apparatus beyond the voluntary partnership that had been in place for over 25 years, in order to enable more effective joint working on priorities such as transport, regeneration and economic development. In 2011 the Greater Manchester Combined Authority (GMCA) was established, the first statutory combined system of its type in the UK, to provide a stronger model of local economic leadership. The GMCA has provided an accountable focus for economic interventions within a single labour market. Its partnership with bodies such as Transport for Greater Manchester and the Local Enterprise Partnership has helped create a unified voice for the local economy and a joint vision for growth, in which all 10 member authorities feel have ownership.

Greater Manchester has also innovated with new investment instruments and vehicles. A pooled Greater Manchester Fund, a North West Evergreen Fund that provides loan financing, and a unified Investment Framework which prioritised a pipeline of projects, have all enabled the local economy to focus on effective resource management and growth optimisation. The commitment to collective investment decisions that apply across more than one cycle of development and which do not benefit all authorities equally, has clear indicated leaders'

belief in pooling for the greater good. As of early 2015, the suite of Greater Manchester Funds have committed in excess of £160m and delivered in excess of 8,000 jobs.

Manchester's innovative use of funding also paved the way for its landmark City Deal with national government. The centrepiece of the Deal was a pioneering mechanism to 'earn back' part of the national tax revenues generated by the joint investment. The Earnback model, which has subsequently been simplified, allows the 10 authorities to recoup up to £30 million a year from central government from raised business rates, on a payment-by-results basis. These funds are then recycled and reinvested in further transport infrastructure. Earn Back became a political possibility because of the scope of Manchester's local authorities to invest and benefit collectively.

Greater Manchester will gain its own directly elected mayor in 2017, with powers over transport, housing, planning, regeneration and police. The future mayor will become the 11th member of the Combined Authority, to which he or she will be accountable, with the Authority set to be assigned more formalised portfolio responsibilities. He or she will not only be able to deploy the 'Earn Back' revenue, but will also administer a new housing investment fund capable of financing construction of 15,000 extra homes up to 2025. The future mayor will also run a £100m welfare-to-work programme to help up to 50,000 people find employment (Dudman, 2014). Bernstein, Leese and Wigan Council's Lord Peter Smith helped persuade the eight other Greater Manchester council leaders of the merits of an elected mayor. Greater Manchester's devolution deal is significant. In all, it will have influence over an estimated £7bn spending, representing 32% of total estimated public spend (£22bn). This constitutes a major change in the profile and accountability of local leadership, and some of the mayor's powers – for example in health and social services – will exceed those currently held in London.

Other local economies have also developed innovative financing and management models. In Hamburg's major development project HafenCity, a fund was established that took a long-term portfolio approach to investment and has allowed the development agency HafenCity Hamburg GmbH to build long-term value rather than simply sell sites for best current price. The Special Fund for City and Port assembled 97% of HafenCity sites that are the property of the City of Hamburg, with proceeds from sales of building sites helping to finance infrastructure and business relocation. In effect the city government accepts the early development risk of infrastructure provision in return for reaping the uplift in future land sales. This model enabled the City to combine public interests and private capacity, and to depoliticise many of the important development decisions (Bruns-Berentelg, 2012).

Leadership innovations to market the local economy more effectively are also visible. In 2013 Amsterdam Marketing became the marketing and promotion organisation for the whole local economy, in order to provide an integrated strategy for positioning the local economy as an ideal business and investment destination for international companies, investors and skilled workers. The body consolidated the activities of Amsterdam Partners, the Amsterdam Tourism & Convention Board and Amsterdam Uitburo, and works in partnership with public and private institutions, museums and universities. Drawing inspiration from New York City's public-private marketing model in NYC & Company, it is financially and operationally reliant on a tiered partnership structure, with packages offered for local parties who have a

direct interest in increasing business and tourist appeal. Its motto 'I amsterdam', now more than a decade old, is used to attract businesses, visitors and students and to highlight the local economy's innovation capacity (Amsterdam Marketing, 2015; NYC & Company, 2013). Amsterdam Marketing also collaborates closely with amsterdam inbusiness, the foreign investment agency of the local economy. This agency lets other municipalities present themselves as Amsterdam when abroad, thereby both enhancing their relevance internationally and increasing the exposure of Amsterdam.

For some local economies, the organisation of the innovation system is a key task for a consensus model of local economic leadership. In Stockholm the regional innovation strategy is a key element of the leadership mission, raising awareness of the impact of innovation on Stockholm's future economy and the nature of international competition. In 2011, a €2.3 million project was coordinated by the Stockholm County Administrative Board, and 25% co-funded by the County Council and 75% by the National Agency for Innovation Systems, Vinnova. The project outlined a number of areas where Stockholm could enhance its innovation systems, encapsulated in the subsequent '2025 Stockholm' document. The Action plan for implementing the strategy consists of 40 activities to be co-ordinated by academic and business partners within the regional innovation platform Innovation Stockholm. The County Administrative Board, a national government body with responsibilities for local economic growth and development, is also overseeing the widening of sources of capital to support the strategy (European Commission, 2015). This indicates the close engagement from Sweden's national government in a collaborative model of leadership.

What different tools and styles can local economic leaders use to address challenges?

Leadership styles as a tool for building a coherent institutional framework

Different nations pursue distinct formal leadership models for how local leaders are designated. These models can be broadly observed as having five different characters:

- A **Council Leader**. The council is elected, usually by election of one representative from each district, and headed by a council leader. The council leader may choose a cabinet of advisors from within the council, just as a Prime minister would at the national level.
- A **Council and Mayor**. In the system the Council is elected and the Mayor is chosen from amongst the councillors. This is usually referred as an indirectly elected mayor.
- A **directly elected Mayor**. A city mayor is often **directly elected** by citizens, independently of the wider city government. Mayors are directly elected in many Eastern European states, including Bulgaria, Poland, Romania, Slovakia and Slovenia, and in many US and Australian cities. Direct election of mayors has also replaced more autocratic systems in cities such as Buenos Aires and Calcutta. The system has been growing in popularity, and in recent years mayoral elections have been introduced in some cities in England, Germany and Italy.

- Some cities do not have one individual as the figurehead of the executive, but rather have a small group of elected individuals – a **Commission** or **Committee** who undertake decision making collectively. Under this system, each elected official is both a member of the committee and head of one or more administrative departments. The commissioners make policy and also implement it. While one of these commissioners may be appointed as the chairperson or called the mayor, they will not have any extra powers.
- Sometimes cities appoint a **City Manager** to head the administration. This effectively places executive authority in the hands of a professional appointed to manage the administrative affairs of a city, often an experienced civil servant. The city manager has not been elected by the public or council members but has been hired, and thus has no specific term of office. They continue with their job till they meet the requirements of the council. This model is compatible with Council-Leader and Commission models but not usually with executive mayors.

Whichever model is adopted, leveraging and motivating the wider, dispersed system of economic leadership is a common requirement for local government. Local government leaders may possess or adopt several kinds of leadership style, which provide different means of achieving an engaged and coherent local leadership:

- **The CEO leader** adopts a hierarchical model of leadership and shows strong determination to bypass conflict and disagreement within the local administration in order to implement preferred policies. A mayor who leads ‘as CEO’ will often import private sector practices to local economic management – looking to run his locality with a focus on value for money, efficiency, customer service, and targets. He or she can impress and engage other local leaders, particularly employers and investors, but also from elsewhere, through a focus on fiscal prudence, data and the setting and meeting of targets.
- **The ambassador leader** represents the local economy on the world stage, using their own personality and charisma to advance its competitive claims and sell its advantages. An ambassador mayor with a strong or distinctive personality can come to embody a local brand. He or she can unite and motivate other stakeholders by presenting a coherent ‘message’ to citizens and the wider world.
- **The chief negotiator leader** prioritises lobbying other levels of government and key agencies, using their profile and status to secure the best possible ‘deal’ from higher tiers of government. The negotiator mayor is willing to espouse particular causes, and in some circumstances will publicly support individual cases or grievances.
- **The visionary leader** has a strong and clear vision of his local economy’s future, and the capacity to generate new and innovative ideas during a period of decline or transition. He or she uses their ‘vision’ as a means of inspiring support, of building powerful and effective coalitions of different stakeholders, and encouraging citizen participation.

- **The convenor leader** organises and brings together different actors to address challenges that the local economy and its administration cannot tackle alone. Conveners bring a diversity of people and organisations together to find effective solutions, and do not seek to impose their own solutions. An effective convenor can play a powerful role in leveraging resources and gaining results.
- **The consensus facilitator leader** favours consultation and coalition building, succeeding through persuasion and identifying the best in others. He or she ensures access to expert information and uses their influence to tackle institutional barriers and extend partnerships. This type of leader may face barriers against developing strong decision-making as local policy is driven by the demands of powerful local actors and parties.

In practice individual leaders may combine elements of different styles in order to achieve their goals for the local economy. The dominant leadership style will inevitably partly be a function of the individual's personal characteristics or experiences, but is also adopted from their embedded political culture and institutional position given local capacities and deficits.

Many leaders operate in a plural system that demands a collaborative style of leadership that can build alliances and encourage cooperation with neighbouring economic areas. This is the kind of elected leadership style found in Amsterdam, where the mayor is nominated by the municipal council and appointed by the Queen, elevating them above the cut and thrust of local politics. The proportional representation system also usually requires Amsterdam mayors to build coalitions with other political parties to create a government. Mayors have become highly skilled at building bridges across party political and public-private sector lines.

Others in highly centralised or fiscally challenged local economies may assume the role of chief negotiator or adopt a managerial style, focusing on budgets and financial targets as a first step in a multi cycle approach towards achieving more local leadership autonomy. What is clear is that regardless of leadership style adopted, each appointed leader must activate the local economy's wider system of leadership if they are to amass sufficient resources and skills to meet its challenges.

At the City Council level Manchester's leadership is a somewhat unique partnership between city official and elected leader. The two leaders have nurtured a collaborative leadership platform across the city and its metropolitan area. Sir Howard Bernstein has been a driving force in the transformation of Manchester's local economy, and in gearing the local authority towards innovation, investment, dynamism and an outcomes-led rather than process-led approach. Sir Howard Bernstein became an employee of the Council at the start of its process of adjustment in the mid-1980s, and gradually helped re-cast the role of the Council as an assertive and pragmatic shaper of local development. Since his appointment as Chief Executive in 1998, Bernstein has been able to employ a team of highly capable senior officers with long-term experience of Manchester, and build a strategy oriented around competitiveness. Bernstein's leadership style includes a positive and can-do approach to investors, employers, and negotiated reform, a reluctance to engage in political hostilities, and a desire to work with rather than against London and the other English 'Core' cities. His

commitment to innovations and solutions has been widely praised, and has generated trust shown in him and his team by central government in granting extra powers since 2011.

Throughout the same period, Sir Richard Leese has been the leader of Manchester City Council. From the outset, Leese was concerned to tackle the social and cultural as well as physical elements of regeneration of the city. It is this long-term political and leadership stability that has created room for strategic vision, and has also been an attraction to prospective inward investors and developers. Leese's international outlook and profound grasp of political diplomacy has been critical to effective advocacy for Manchester's ambitious programme of development. Bernstein and Leese were nominated at the top of the 'ultimate local government power list' in a 2014 poll of UK leaders by Local Government Chronicle, for their contribution to the national debate on local government and devolution.

Other cities achieve inclusive growth through a leadership style of rigour and efficiency. In Hamburg, Olaf Scholz was elected Mayor in 2011 on a moderate platform of orderly government and sound fiscal management, with a firm commitment to meeting and implementing election pledges. Over the past four years, the leadership agenda has embarked on a long-term strategy of socially responsible growth that is committed to reducing the structural deficit while also acting with a forward-looking, entrepreneurial perspective. Scholz has successfully combined the capacity to master the minutiae of city administration with a big picture vision. Fiscal prudence has been the hallmark of Scholz's leadership which has underpinned confidence in other inclusive growth policies. His administration is known for being highly responsive to the concerns of citizens and companies, as part of what Scholz calls "straight governance" ('ordentliches Regieren'). He has appeal to political pragmatists across the spectrum, as well as to those that benefit from increased investment in housing, day care, and schools. After a second successive election victory in 2015, Mayor Scholz has developed a maturing pattern of alliance which is promoting an Olympic Games bid as an opportunity to pursue the next cycle of urban development objectives finalising the "Leap across the Elbe", densification and the creation of living space.

A highly collaborative and intermediated leadership style is critical for cities in a consensus-based institutional framework such as Amsterdam's. Recent local leaders in Amsterdam stand out for their negotiating strengths, and the strong case they have put forward in favour of immigration, inclusion and in defence of tolerance. Each has argued that the challenge of integration is one of economic growth and job creation, and not only about cultural or religious identity. Current Mayor Eberhard van der Laan has fostered a culture of partnership of leaders in Amsterdam that has catalysed an even more proactive approach toward trade, investment, knowledge and creativity. Van der Laan's style of leadership is very practical. The Mayor is noted for treating all employees as equal participants in dialogue. Because Mayoral decisions require buy-in, a system of strong collaboration has emerged which is yielding stronger planning for economic development, supported by business and government leaders alike. He has also recognised the importance of Amsterdam's national and international profile as an open and welcoming city, and has improved relationships with leaders of other cities, both domestically and internationally.

These four case studies and other recent leadership literature offer insight into the traits which are commonly exhibited by the most successful leaders of local economies:

- **Personal engagement in local development.** The best leaders are close to the people and their problems. They are often born and bred residents of their locality. They use public transport, know their local area inside out, are recognised and petitioned by their citizens. They have a fundamental understanding of the local economy's needs, and, as their home, they are personally passionate about its success.
- **A strong or striking personality marked by ambition and good humour.** Successfully leaders dramatise a local economy's personality, add energy to the political debate and increase its influence locally and internationally. Elected local government leaders are often charismatic, funny, creative and satirical.
- **A pragmatic approach to governing.** Local leaders have to be successful in the 'day to day' of running of their economic area, in addition to strategising on the bigger picture. This pragmatism means impatience with delays and political gridlock, an optimistic outlook, and a capacity to take risk.
- **Ability to prioritise key catalytic actions.** New leaders of local economies are often faced by a daunting array of problems, challenges and causes clamouring for attention and support. Successful leaders are able to define priorities, and concentrate their efforts and resources on key catalytic initiatives, reforms or projects that achieve 'quick-wins' and meet urgent challenges. These priorities may be fiscal prudence, government transparency, or a key item of infrastructure. Engagement with business leadership groups often help elected leaders arrange their agenda-setting.
- **Capacity to build coalitions inside and outside local government.** Building partnerships, both within and outside the public sector, is an essential ingredient of effective local leadership. Collaboration allows leaders to overcome the constraints of their institutional framework, such as fragmented jurisdictions, weak marketing and promotion, limited investment opportunities, and remote relationships with higher tiers of government. Coalition building outside of local government encourages fresh ideas.
- **Ethic of responsibility to citizens.** Local government leaders are representatives of their citizens, and need public support if their projects and policies are to be robust and legitimate. Leaders who recognise the accountability of their position and focus on faithfully serving their citizens interests gain legitimacy, become more effective judges of local sentiment, and can achieve longer leadership terms to fulfil a whole cycle of infrastructure and reform.
- **Vision and boldness.** A powerful vision of the future of a local economy can act as an 'organising idea' which assists in inspiring and co-ordinating what is often an increasingly dispersed leadership system. A bold repositioning of sectoral priorities and spatial change, grounded in evidence and based on existing assets, is often critical to rebuilding local economies that have lost their competitive edge.

- **Ability to ‘do more with less’ to ensure inclusive growth.** Many local economies are struggling to meet increasingly complex demands within the constraints of the tightest budgets for a generation. Revenue generation is usually partially, if not totally, outside of their control. Therefore in order to ensure consistent and quality service delivery and to support economic growth, leaders need to be able to offer cost-efficient solutions that do not compromise inclusion.
- **A strong work ethic.** Local economic leadership is not a ‘9 to 5’ job. The role of a leader involves hard work, long hours, and stretches far beyond their official powers – a good leader must also build partnerships, persuade, invent and innovate. Successful leaders require strength, stamina, energy, and commitment to the cause, in order to lead from the front and by example.

Box 3. The collective actors

Valentino Castellani was Mayor of Turin between 1993 and 2001, and the city's first directly elected Mayor. He was responsible for instituting a new method of local government in Turin based around the idea of the city as a 'collective actor'.

When Castellani became Mayor in 1993, Turin was struggling with the decline of the automotive industry that, in its heyday, had represented as much as 80% of the city's industrial activity. The new Mayor therefore needed to manage a deep structural transformation in the city. Instead of bringing in external 'experts' into strategic decision making, Castellani gathered together local stakeholders in a development forum, looking to centrally involve them in defining a consensus-based strategic vision for the city, as well as agreeing upon concrete actions to bring about change and thinking of new ways of improving networks of cooperation and dialogue. Castellani encouraged mutual recognition and co-working, even between groups which had historically operated antagonistically. By recasting the municipal government in the role of facilitator, he was able to draw on expertise from the private sector, academia and civil society to formulate a collective recovery plan for the city's future.

The forum worked out a 10-year plan for the city's development based upon a strategy of internationalisation and economic diversification, which had buy-in from stakeholders at every level. But in a local economy which had long been dominated by the automotive industry and which had an entrenched local social elite, championing this bold change of direction required strong personal courage from Castellani. The Mayor also had the vision to recognise the catalytic impact that hosting a major event could have upon the city - Castellani led Turin's bid for the 2006 Winter Olympics and, following its success, became the Chairman of the Games' organising committee in 2001. The Games catalysed widespread infrastructural improvements in the wider economic area, and are credited with helping to generate a widespread sense of optimism and change in Turin.

Len Brown is Auckland's first directly elected mayor, and presides over what is now the largest local authority in Australasia. He has shown many similarities in leadership style to Valentino Castellani – with a mayoralty characterised by ambitious vision. In fact, 'vision' is now statutorily required of Auckland's leaders, as council legislation specifically declares that it is the role and responsibility of the Mayor is to promote a vision for Auckland. Brown is committed to making Auckland 'the world's most liveable city' and has showed determination and far-sightedness in determinedly pursuing an internationalisation agenda for the city.

As part of his internationalisation strategy, Brown, like Castellani, has recognised the potential that global events have to catalyse strategic development projects, position Auckland internationally, raise civic pride and rebrand the city. In preparation for the city's hosting of the 2011 Rugby World Cup, projects to upgrade the city's waterfront were fast-tracked, Auckland airport extended its northern runway, rail stations and the city's largest stadium, Eden Park, were revamped. The World Cup generated a net additional expenditure in Auckland between 2006 and 2012 of £264 million. It also created around 14,000 jobs during the same period (ATEED, 2011).

On a personal level, Len Brown is known as a mayor who shows a passion and commitment to his city and is a visible presence on the ground. He hosts regular 'Mayor in the Chair' sessions in public spaces around Auckland to encourage citizen engagement, and is credited with being an accessible and approachable public figure. He has shown desire to 'get things done', pledging for example to support 100 different projects in his first 100 days as Mayor.

What leadership will local economies need in future?

There is no one ‘right way’ to lead a local economy, and the value of developing ‘one size fits all’ leadership models is questionable. Different contexts and challenges within individual localities combine to create unique sets of imperatives for local leaders. A range of leadership methods, policies and styles will be appropriate in dealing with these distinctive imperatives. Nonetheless, two clear requirements for the leadership of the future are already becoming apparent:

Firstly, **innovation has become a key aspect of local economic leadership**. It seems safe to assume that local economic leaders will continue to be faced by challenges which cannot be met using their formal and official powers alone. Leaders will therefore need to continue to innovate in future in order to ‘fill the gaps’ – but they will not be able to do this alone. This means that future local economic leaders will need to be adept at influencing and persuading other stakeholders, in order to make space for their innovations. They will need to become expert in sharing, listening and networking, in order to learn about and adopt successful tools and platforms developed in other places. They may need to adapt and adjust the innovations of others, in order to implement them effectively themselves. Leaders will certainly need to be skilled in planning for the future so that they can anticipate challenges, and develop the necessary tools and innovations in advance wherever possible.

Secondly, it is already clear that **local economic leadership is no longer the concern of elected local government alone**. The last decade has already seen new groups such as networks, business leadership groups and authorities from wider economic areas drawn into the sphere of leadership. In the future, we can expect institutional frameworks to become increasingly dispersed. As local economies expand to become home to more people, become more powerful and encompass larger areas, even more actors will be concerned with their leadership.

The diversity of actors involved in local economic leadership has the potential to be advantageous, adding to the resources, ideas and powers of local economies. But in order to secure these advantages, a key task for future leaders will be making the distributed system of leadership more coherent. This can be done through a combination of:

- **Partnership and coordination** between leaders concerned with different areas of the local economy; a Leadership Team for the functional economic area must emerge and be encouraged. Singapore’s ‘whole-of-government’ approach is a pioneering example of how this type of co-ordination can work in practice.
- **Coalition building** between stakeholders from different sectors and interest groups. Local government in Poznan (see case study above) has shown the positive effects that this type of cross-sector coalition can have.
- **Reforms** including fiscal reform, devolution of powers, or the redrawing of political boundaries so as to better match functional metropolitan areas. The innovative reforms which have recently been undertaken in Greater Manchester, particularly through the creation of the Manchester Combined Authority and the Manchester City

Deal, exemplify the type of reforms that can make a real difference to leaders' ability to meet the challenges their local economies face.

Individual leaders in local government have particular responsibilities in achieving coherence across the distributed system of leadership. Elected or appointed leaders must instigate partnerships, lead coalition building, and spearhead the fight for reform. However the leaders of other organisations, as part of the wider economic framework, also have responsibilities in progressing towards a coherent institutional landscape. Development of local leadership skills across this broader system of organisations must be a key priority for today in order to ensure that we have the best possible leadership in the future. This means that increasingly we must address the local economic leadership role of national and state officials, business leaders, and civic/citizen leaders in order to build a shared leadership system for the majority of local institutional frameworks that remain highly fragmented and distributed.

Conclusion and recommendations: the leadership dividend

This brief review of local economic leadership has sought to reveal how the skills of key leaders are at work in helping shape effective local economic strategies. It has observed that local governments are not designed with the task of shaping local economies in mind and the institutional frameworks that operate within most localities are only effective in tackling economic development imperatives if substantive additional efforts are made to render them so. This means that without leaders who promote and seek change and improvement, and seek to adapt existing institutions and programmes towards local economic needs, little economic development will occur. Only by attending actively to what is required can local economic development occur.

Avoiding local economic leadership failure

Local economic development is an arena in which leadership failure can occur. The failure to build active civic coalitions, to define longer-term visions, to encourage external investment, to motivate institutional cooperation, and to promote change and reform can all lead a local economy to suffer unnecessarily long periods of decline and stagnation. Dynamic changes in the external economic environment can be used as an imperative for local change, but if left unmanaged locally, they will expose weaknesses and rigidities in local skills, infrastructure, and land use systems. Adaptability is key to local economic success and leaders who fail to promote change often find that decline can set in quickly.

In addition to the now fundamental requirement to develop a local economic agenda and build a coalition of support, avoiding leadership failure in local economic development also requires four other important ingredients.

Avoiding 'vanity projects' and 'white elephants'

Despite the recognised need to focus on longer-term economic agendas and the need to improve systems of production and the climate for job creation and investment, the stubborn tendency to build facilities and promote physical developments within a short term political

mandate remains a source of scepticism about local economic development. Leaders faced with the desire to demonstrate that they are promoting change and positive agendas for the future can be too easily persuaded to embrace capital-intensive construction projects such as stadia, malls, and infrastructure. This may also apply to the hosting of events and competitions. All such investments, when carefully appraised and defined, may be positive catalysts and contributors to local economic development, but their value lies in their ability to support and accelerate wider strategies and plans. They are very rarely net positive contributions on their own.

Transparency

Local economic development is an arena where a high degree of interaction with the private sector occurs. The risk is that the rent-seeking imperative of some private sector actors will distort the decision making processes and prioritise the internal rate of return for certain firms or employers at the expense of the external rate of return where the whole local economy and wider population can benefit. Undertaking this leadership role whilst avoiding conflicts of interest and vested interests, undue influence or corruption, or exposure to favouritism is especially important. Transparency is a critical tool in ensuring that citizens remain confident that their leaders are acting in the interests of the local economy as a whole.

Lock-in and Path Dependency

Local economic leaders have to recognise that all choices made over time can have the effect of narrowing the range of options available in the future. Lock-in and path dependency in infrastructure, sector specialisation, skills base, technology, and institutional frameworks are critical issues that all local economic leaders need to consider. Much has been learned from the challenges faced at the local level through de-industrialisation which has exposed the lack of flexibility and adaptability in many local economies. A key challenge for local leaders is to avoid promoting solutions that are not durable in unforeseen future circumstances.

Managing externalities

Local economies that grow and succeed will often exhibit unintended consequences such as rapid population growth, surges in external investment, congestion and infrastructure stress, inflation in housing markets, and noise/air pollution. Such externalities are common features of local economic success, and are essential to manage actively. The character of local neighbourhoods and districts often change rapidly, and this can lead to anti-growth coalitions. Active management of externalities is a key leadership challenge, and failure to anticipate and address such externalities will result in growth constraints. Leadership often fails to adequately address such externalities. This is in part because such externalities often require complex and integrated responses over a long period of time, and in part because they appear as urgent problems often very rapidly, with difficult politics associated where and for whom the costs and benefits of growth fall within locations and institutional frameworks. They create opposition and confusion amongst residents and civic groups. Failure to plan for growth and anticipate such externalities is a common form of leadership failure.

What does effective local economic leadership achieve?

The contribution of local leadership to economic growth and inclusion can be summarised with the following table:

Table 2. Local economic leadership

	Leadership Imperative	Leadership Skills	Leadership Dividend
1.	Multiple actors and larger geographies that extend beyond formal political jurisdictions.	Coalition building across administrative boundaries and across public and private sectors.	A co-ordinated approach that avoids duplication of effort or zero-sum competition between neighbouring localities.
2	Increased internationalisation, mobility, and competition.	Understanding local assets and strengths, competition and competitors	Strengths and weaknesses are evidenced and understood. Local economic strategy is credible.
3	Separated sector responses in skills, innovation, enterprise, transport, land use.	Developing integrated vision and cross-sector strategy.	Coherent and aligned actions across sectors around a common local economic strategy.
4	Supply led skills and education systems with limited flexibility.	Understanding and aligning with demand side needs of employers in clusters and companies.	Labour market functions efficiently and increases employment participation and progression.
5	Low propensity to start up.	Judging the right mix of support and incentives for entrepreneurs.	Entrepreneurs are motivated to start-up stay, settle and participate in a start-up ecosystem.
6	Lack of visibility in international and global markets.	Building strategy, organisation, and collaboration for economic promotion.	Distinctive offer is well understood and resonates across different target audiences.
7	Insufficient public finance resources and capital investment.	Financial innovation to create new investment tools and instruments that optimise public investment and leverage private finance.	Optimum use of own resources, local revenue-raising and leverage of third party finance.
8	Potential for external investment from foreign companies, funds/institutions, and HNWIs.	Investment readiness to ensure a credible framework and development pipeline.	Investors are attracted to sound, well-prepared and bankable opportunities.
9	Administrative systems and procedures deter business growth and job creation.	Improve upon national business framework conditions at the local level to attract and retain firms and jobs.	Employers locate, invest, and expand job base due to more favourable conditions.
10	New tasks emerge for which there is no competent body (e.g. plant closure, hosting event, major redevelopment site).	Launching new organisations either for time-limited special purposes or to fulfil permanent functions.	New capacity is created when required and key projects are executed.
11	Institutions are not fit for new purposes.	Advocacy and promoting reform.	Systems and frameworks are revised in line with need. Institutional lock in is avoided.
12	Short term mandates risk frequent policy change.	Building long-term continuity of policy and strategy for competitiveness across political parties.	Long-term consensus on development path is sustained and adjustments accommodated.

Leadership and Economic Development

The outcomes of effective local economic leadership are multiple. Firstly, effective leaders establish a new platform of ambition and a can do mind-set which leads to a renewal of sense of purpose. This is especially important after a crisis when so many economic development programmes are launched. Second, effective leaders often help build a new vision of the future, and they define a development path and a strategy usually within a new orientation that responds to new dynamics, such as globalization, sustainability, end of conflict. A new paradigm is identified to help build the new strategic approach. Third, almost all effective leaders tackle co-ordination failures directly by building partnerships, coalitions, and alliances, and promoting new forms of co-ordination: and new tools for intervention. Lastly, effective leaders appear to take a clearer ‘customer’ orientation towards employers, investors, tourists and others, recognising that they bring valuable economic and employment opportunities to the local population. This act of valuing the job and economic opportunities and being willing to organise around them is a critical change that makes localities more employer and investor facing.

The results that can accrue from these successful interventions are important in making it easier for localities to secure local economic development over multiple cycles. They can provide momentum and a more enabling framework over time. In the case study cities that are the focus of this study we can observe that most effective leaders have promoted reforms that are pro-long-term development. They have made changes in the institutional frameworks that have been important in building commitment to local job creation and inclusive growth. They have also responded decisively to new investment opportunities, especially by working with new investors and this has increased the effective investment rate and created job opportunities. Most cities that have had capable local economic leadership have developed distinct specialisations and raised productivity. They have been able to differentiate themselves from other cities where such leadership may have been lacking.

Two other important consequences have emerged from the capable leadership seen in this study. Firstly, these cities have been able to provide important employment and investment capacity to their continental and national economies, often providing a second cylinder or additional option beyond the larger hubs in their sub-continent. Second, each of these cities has become important regional leaders for other cities and municipalities that neighbour them and has recruited them to wider partnership enhancing the scale of employment and investment that is possible at the sub-national level.

Leadership of local economies is a largely unexplored topic in academic literature even though leadership is widely referred to by employers and investors as one of the reasons they seek new opportunities in certain locations. Larger sample studies are clearly needed. This short study has served to observe that the critical work of local leaders in their local economies is worthy of further investigation.

Leadership choices by localities and by individual leaders are conditioned by institutional frameworks and by local circumstances and there is no single right model. Avoiding leadership failure is a critical task, in an arena of public policy where there are few clear scientific methods. More than anything the critical role of leaders is to effect positive change

using the formal and informal tools at their disposal and to set in train positive agendas that can endure through and between cycles of development.

Recommendations arising from the case studies must therefore focus on the underpinning ingredients of success rather the merits of one model of local leadership over another.

- The key role of the local leadership is **collaborative strategy making** which can combine otherwise disparate efforts into a coherent approach. Local leaders should attend to this form of inclusive strategy making as the fundamental means to set strategy in a local economy. Doing this well will require credible evidence and effective partnership and can underpin other choice leaders face, creating coherent policy lines.
- **Fragmented jurisdiction** is a common problem in almost all OECD countries. Local Economic Leadership provides collaborative means to overcome fragmentation by building clear alliances between neighbouring municipalities. Leaders should seek to address this fragmentation early in their mandates and as a means to establish clear local economic strategy. Higher tiers of government should, wherever possible, provide support to such horizontal collaborations.
- Weak **local government powers** in some OECD countries, combined with strongly sectorised national and state policies appear to militate against effective local economic strategy making. Examples from more devolved countries, and the positive promise demonstrated by reforms in other countries suggest that improved local government autonomy can create positive context for local economic leadership to work. Lessons from the different models should be actively disseminated so that effective reforms can be understood and spread.
- **Avoiding leadership failure** requires addressing the core components of a positive leadership agenda and also acquiring the ability to address at least four additional issues; avoiding vanity projects, promoting transparency, tackling path dependency and lock-in, and anticipating/addressing externalities. Leadership can be strengthened by paying attention to these issues.
- **National and state governments** have important roles to play both as part of the leadership of local economies, working in partnership with more local actors, and also as agents of reform, working towards more effective local economic systems. Identifying their optimum roles in local economic leadership is critical to reinforce the efforts made at the local level.
- **Private sector firms and employers** are an important dimension of local economic leadership. When they are well organised in multi-sectoral, large scale membership organisations that take a long-term approach to develop of a local economy they can be very effective in supporting local government leadership and also creating the conditions for positive engagement from higher tiers of government. Business organisation should seek to develop their role as key local leaders and seek means to support and reinforce wider local economic leadership efforts.
- **Major local institutions** such as Universities, Airports, Ports, and Cultural Bodies are very important parts of local productive systems and they are also critical participants in combined leadership vehicles at the local level.

ANNEX

CASE STUDIES

AMSTERDAM

Amsterdam is an example of a city economy whose leaders have adjusted incrementally to the process of polycentric development that has been underway for over three decades. The city's institutional complexity and political model of consensus democracy and power-sharing has not been conducive either to powerful individualised leadership, or city-wide institutional solutions. Instead Amsterdam has developed a public-private leadership *platform* for its economy that is enhancing the city's positioning in higher education, trade, and smart city development.

Over time, the steady improvements in the capacity of this leadership platform has implanted a strong consciousness of Amsterdam's assets. Amsterdam is now in a strong position to prepare viable long-term strategies for its highly internationalised economy.

Amsterdam in context

In 2015, Amsterdam's development challenges have a definite polycentric character. While the central city is a cultural, visitor and media capital, the southern axis is established as a centre for business and financial services, and other zones across the region (chiefly Schiphol Airport and the Port) play an important role in international supply chains. Its move towards polycentrism has seen its sector composition also change. On the one hand its financial sector has shrunk in size since the global financial crisis and has stabilised at a smaller scale. On the other, wholesale trade is now an essential component of the economy, whether in computers, software, food, clothing, medical instruments and high-end systems for marine and aviation (Metropoolregio Amsterdam, 2015a). Amsterdam is also recording growth in healthcare, life sciences, tourism and IT.

Amsterdam is adjusting to a cycle of population growth and economic challenges. From 2010 to 2014, the population of the metropolitan region grew by 78,000, more than twice the rate of the Dutch average, with the city of Amsterdam growing most rapidly (Metropoolregio Amsterdam, 2015a). This re-urbanising trend is in contrast to periods earlier in the city's history, notably in the 1960s and 1970s, when it lost more than a fifth of its population. Today Amsterdam has one of the highest educated and most diverse populations in Europe, with 42% achieving higher education and 34% foreign-born. Yet economic growth has been sluggish since the global financial crisis, having slowed in 2012 and 2013, to -1.0% and 0.0% respectively.

Amsterdam has made a number of important adjustments to its leadership and governance system, especially over the last decade. Previously, over-ambitious and over-optimistic targets had resulted in budgetary and planning problems. Recent developments reflect a more serious approach to the economy and a recognition of the need to incorporate business and institutional leadership. A new leadership culture appears to be emerging, one based on the pragmatic pursuit of specific strategic projects, and which avoids the temptation for initiatives to accomplish everything at once.

The evolution of local government

Amsterdam operates within a decentralised Dutch system of government whereby provinces and municipalities have considerable autonomy, but with close involvement from national government in spatial planning and development. Over the past 60 years, as politicians and planners pursued a strategy of de-concentration rather than densification, institutional complexity across the metropolitan area has gradually increased. The city of Amsterdam, run by a mayor-city council system, was subdivided into fifteen boroughs (*stadsdelen*) after a reform in the 1980s to improve local accountability. The boroughs each had their own council and had been responsible for many services at the local level, with only large infrastructure projects managed by the central city council. This led to significant challenges of project implementation.

An expanded system of governance has been 40 years in the making in Amsterdam, first prompted by the rapid spatial expansion into the urban fringe in the 1950s and 1960s. An Informal Consultation Agglomeration Amsterdam was founded in the 1970s to discuss issues affecting the central city and surrounding municipalities. These included the need to manage spatial growth – such as the development of nearby cities such as Purmerend, Haarlemmermeer and Almere – to make the regional economy more competitive. In 1985 these authorities sought to formalise their voluntary exchange with an official board named the *Regionaal Orgaan Amsterdam* (ROA), whose spatial policy work was drafted at Amsterdam city hall – and seven years later, the municipalities sought to augment its status by supplying a separate staff (Kreukels et al, 2002). Negotiations to reorganise regional government were ongoing between Amsterdam and outer municipalities, urged on by demands from national government, but compromises weakened public enthusiasm for reform. At this stage, there was a widespread perception that the city of Amsterdam had too dominant a voice in the regional debate. Local interests and rivalries, for example about future business locations, tended to trump wider development priorities. A referendum in 1995 to dissolve the municipalities and create a ‘city province’ was decisively rejected by the electorate (Stadsregio Amsterdam, n.d.; Kreukels et al, 2002).

Although the referendum defeat put an end to aspirations for a powerful citywide government, the municipalities still shared a recognition of mutual challenges: co-operation within Amsterdam’s functional urban area continued and intensified along two dimensions; (i) the central area of 16 core municipalities, which has some statutory obligations and financial resources; and (ii) the larger-scale metropolitan region, which functions as an informal partnership. The emergence of stronger alliances at the Amsterdam level was a surprise given the previous momentum that had existed for a leadership and government platform at the wider Randstad level, encompassing The Hague and Rotterdam. This shift reflected Amsterdam’s resurgence as an attractive and exciting city for young people in the 2000s.

The role of key leadership figures

The kind of mayoral leadership style found in Amsterdam is linked to the political preconditions of the position. The Mayor of Amsterdam is nominated by the municipal council and appointed by the Queen, which elevates the mayor above the cut and thrust of local politics. The proportional representation system also usually requires Amsterdam mayors to build coalitions with other political parties to create a government. Mayors have become highly skilled at building bridges across party political and public-private sector lines.

The character and capacity of leadership in Amsterdam has taken several turns in the last century. The city had a long tradition of liberal mayors heralding from eminent local families that were influential in politics, finance or trade. This ended in the 1920s when local government became more politicised, and social democratic leaders became pre-eminent, supported by influential aldermen. The mayoral position became a key figure in negotiations around major developments such as the airport and harbour waterway, and in the attempts to attract the 1928 Olympics.

After the war, Amsterdam's mayoralty became more managerial. Arnold d'Ailly, Mayor between 1946 and 1957, became known as 'the flying mayor' because of his globetrotting advocacy for the city's trade interests (Kaal, 2009). His charisma and approachability set the tone for a period of highly visible and resourceful leadership where significant infrastructure developments were brought forward (Gemeente Amsterdam, n.d.).

Amsterdam endured a phase of compromised and unproductive city leadership in the 1970s and 1980s, as the economy suffered and the balance of power began to shift away from the city of Amsterdam towards the outer centres. But the period since the mid-1990s has marked the "return of the mayor" in the Netherlands (Kaal, 2009) and especially in Amsterdam. Dutch mayors have regained a strong position in municipal government and politics, although unlike in many other countries they are not popularly elected.

Proactive leadership for an international Amsterdam

One of the distinctive features of the last four mayors of Amsterdam – all representatives of the PvdA Labour party - is the strong case they have put forward in favour of immigration and in defence of tolerance. Each has argued that the challenge of integration is one of economic growth and job creation, and not only about cultural or religious identity. Mayor **Job Cohen** in particular worked to incorporate religious institutions into wider governance networks (Foner et al, 2014). Cohen acquired a reputation as a courageous and conciliatory figure in Amsterdam's regional politics. He managed to steer a highly adversarial public debate about multi-culturalism and the city's future without fostering divisiveness. He gained distinction in advancing a political agenda that resisted state intervention in local affairs, and using public profile and outreach to achieve key goals. Cohen's unexpected departure in 2010 disappointed many politicians in the region (Luyendijk and Berkhout, 2010).

Since 2010 however, the culture of partnership of leaders in Amsterdam has catalysed an even more proactive approach toward trade, investment, knowledge and creativity. **Mayor Eberhard van der Laan**, a former lawyer, has increased the pattern of mutual learning among individuals and leaders at all levels of the public and private sector. Standing above the party political fray, van der Laan has not relied on his national PvdA profile but on a clear and sensitive communication strategy that appeals to many people and shows his moral compass. He won the Machiavelli Prize in 2013, awarded annually for successful communication in the public sphere (Sommer, 2014). This reflected van der Laan's ability to speak the language of many different Amsterdam citizens – football fans, struggling residents or leading entrepreneurs. He has also successfully built bridges between the City and its student population during a period of difficult education reform

Van der Laan's style of leadership is very practical. The Mayor is noted for treating all employees as equal participants in dialogue (van den Berg, 2013). Because Mayoral decisions require buy-in, a system of strong collaboration has emerged which is yielding stronger planning for economic development, supported by business and government leaders alike. He has also recognised the importance of Amsterdam's national and international profile as an open and welcoming city. He has also improved relationships with leaders of other cities, both domestically and internationally.

Public leadership within the city of Amsterdam has been integrated by recent local government reform that has simplified its municipal structure. Before 2014, the boroughs were responsible for many activities that previously had been run by the central city. The idea was to bring the government closer to the people. All of these had their own district council (*deelraad*), chosen by a popular election. Local decisions were made at borough level, and only affairs pertaining the whole city (like major infrastructural projects), were delegated to the central city council. In 2014, the powers of the boroughs were significantly reduced, although they still have an elected council called *bestuurscommissie* ('district committee').

Purposeful business leadership: Amsterdam Economic Board

Amsterdam's leadership platform for economic development has been accelerated by the creation and consolidation of business-facing organisations that lead and promote the city. In late 2010 the Amsterdam Economic Board (AEB) was established and has rapidly emerged as the most important source of strategic advice and solutions for economic development. The Board's emergence reflects the strong recent leadership focus on the global economy, and with increasing access to economic opportunity and housing.

The AEB is a small private sector-led network of leaders (rather than an institution) that provides representation to local and regional governments, knowledge institutions, and business. Its role is to provide holistic strategies about Amsterdam's future economic development, and to focus on the opportunities in eight sectors; creative industries, financial and business services, horticulture-agrifood, life sciences, logistics, IT, manufacturing and tourism. The Board consists of 21 leaders, complemented by 41 employees (20-25 FTE) who provide support functions. Basic annual funding is in the region of €3m, two-thirds funded by governments in the region.

After four years establishing itself, the Board is now focused on practical actions, with each Board member playing an active role in delivering the programme. Each member has his or her own 'dossier' with concrete deliverables, and personal energy and ownership is an important factor highlighted in the success of implementation. Either 1 or 2 cluster managers are allocated to each of the eight clusters. The Board also engages in cross-cluster projects, such as its 'Making Talent Work' scheme that sees the MRA invest €14m with the national Ministry of Social Affairs to optimise the regional labour market.

Chaired by current Mayor van de Laan, the Board has begun to overcome the lack of shared vision and co-operation between stakeholders, and the dearth of strategic leadership. It is driving the so-called 'triple helix' of collaboration between industry, research institutions and municipal and provincial authorities, by identifying opportunities to share, partner and build projects. Its main partners include the University of Amsterdam, VU University, the Chamber of Commerce, Syntens, VNO-NCW, Amsterdam Marketing and Amsterdam inbusiness. The Board's plan up to

2020 aims to highlight Amsterdam's unique USP as a city of human scale, with creativity in its DNA, and with outstanding international connectivity through Schiphol.

In addition to AEB, Amsterdam Marketing and Amsterdam inbusiness play important roles leading local development. Amsterdam Marketing is a newly enhanced institution that has emerged from the merger of three previous bodies – the ATCB, AUB and Amsterdam Partners. Dedicated to presenting a unified offer, it collaborates with local government, public-private and private bodies across Amsterdam. Financed principally by the City of Amsterdam, it works closely with the Department of Economic Affairs, the city government, the AEB and the Expatcenter. It also works closely with Amsterdam inbusiness, a municipal entity created by the municipalities of Amsterdam, Haarlemmermeer, Amstelveen and Almere. These leadership alliances leverage the city's 'DNA' of creativity, adventure and attractiveness, and support the city's longer term process of re-urbanisation by forming more effective structures.

Inter-municipal leadership: the Stadsregio

Leadership networks in the core of Amsterdam continued to operate informally after the unsuccessful referendum, but the surviving regional body, the ROA, facilitated more meaningful collaboration and co-ordination between the local governments. Its role was regarded favourably by the municipalities, who sent aldermen to meet with the deputies of the provinces at regular network meetings. Yet central government felt that further administrative powers would be required for the area to be governed effectively. It therefore established a more formal structure called the Amsterdam City Region (*Stadsregio*) in 2007.

The *Stadsregio* was the first time an inter-municipal structure had acquired policy and grant funding powers in Amsterdam. A formal consortium of 16 municipalities, it was formalised as part of a national government Act to create eight regions where co-operation was mandatory between municipalities in the areas of spatial planning, housing, transport, economic development and the environment. These regions were termed 'WGR-Plus' because they had explicitly defined additional competences compared to other WGR (*Wet Gemeenschappelijke Regelingen*) regions. This framework did not involve the creation of an additional tier government or an elected council, and municipal representatives to the Regional Council were made accountable to their local council (Spaans, 2013).

The Regional Council has 56 members, appointed by the 16 municipalities themselves, divided according to political affiliation. The city of Amsterdam itself was allocated 21 of the council seats, although it had a majority share of metropolitan population, in order to assuage concerns among the outer municipalities that the central city would wield too much power in the region. The Council also has an Executive Board, whose President is the mayor of Amsterdam. Every four years the Regional Council agrees a regional agenda to optimise the region, which consists of priority tasks and projects. The agenda provides the direction for annual implementation programmes and work plans.

The *Stadsregio* carries out a number of statutory duties with a common budget, the majority derived from a central government transport grant worth €600-700m in the years up to 2015. From 2011 to 2014, municipalities contributed approximately €2.20 per inhabitant for joint implementation of economic tasks. Until January 2015, these powers included public transport

(50%+ of spending), youth care (25-35% of spending) and infrastructure (Metropoolregio Amsterdam, 2015c).

Although the obligation for municipal co-operation now no longer applies, Amsterdam's municipalities have continued to co-operate to improve transport connections, spatial management and economic development.

Table 3. Key dates in Amsterdam's recent leadership and governance

	Governance changes	Leadership landmarks
1985	Regional Body Amsterdam to manage collaboration.	
1995	'City province' referendum defeat	
2000	North Wing consultations	
2001		Election of Job Cohen as Mayor
2006-7	Stadsregio (City Region) established	
2008	Metropoolregio (Metropolitan Region)	
2010		Election of Eberhard van de Laan as Mayor
2011		Creation of Amsterdam Economic Board
2015	Abolition of WGR Plus status for the Stadsregio	

In January 2015 the Stadsregio gained the status of a 'transport zone' after a decision in the national Senate to repeal the eight 'WGR-plus' regions in the Netherlands. This move extends the boundaries of cooperation to include the provinces of North Holland and Flevoland, and the municipalities of Almere and Lelystad, which is seen as essential to manage complex traffic flows. It also intends to intensify the sharing of knowledge in transport planning, concessions and procurement. Representatives from the provinces and leading municipalities have pledged to organise and consult more regularly and effectively (Stadsregio Amsterdam, 2015).

The MRA

The larger scale Amsterdam metropolitan area has never had its own layer of government within the Dutch three-tier system, but its leadership has galvanised gradually through over three decades of voluntary collaboration. The first decision making at this scale was made informally, through bottom up initiatives and recommendations, sometimes developed with private sector partners. This voluntary system looked for agreement on regional economic development, infrastructure and land use.

The North Wing Consultations in 2000 were the first time that municipalities and provinces across the whole of Amsterdam entered into a network to discuss spatial development challenges. The network was strengthened by national government's decision to allocate resources to a series of environmental and spatial development projects in the region in the mid-2000s. Gradually actors across the North Wing that had pursued their own agendas – for example the Schiphol airport area - became more committed to integrating their development within a coherent Amsterdam project. This was partly motivated by a recognition and confidence that Amsterdam's

assets made it distinct to the rest of the Randstad, given its cultural and economic success. The desire of municipal leaders in outer Amsterdam to be affiliated with the city's brand has been a significant new development.

An important step was then taken in 2008 when the actors in the region decided to rename the North Wing the Amsterdam Metropolitan Area (MRA - *Metropoolregio Amsterdam*). While remaining a voluntary regional partnership, the MRA became the vehicle for the collaboration of local authorities and provinces. The alliance comprises 36 municipalities, two provinces, the Amsterdam Region Chamber of Commerce, and the Schiphol Area Development Company.

Amsterdam's broadening leadership model is based upon mutual understanding of the necessity of increased cooperation among the authorities in the region. Partners within this framework share a vision of Amsterdam with a strong, innovative economy, rapid connectivity, and adequate and attractive space for living, working and recreation. Those collaborating believe that joining forces improves co-ordination, speeds up decision making, and presents a powerful unified voice to central government in The Hague.

“The metropolitan region ... is not a megacity, but a collection of cities, which operate independently from each other, and in the best case together form a network, wherein each node its own city hall”

Development Scenario 2040 (Metropoolregio Amsterdam, 2014)

The MRA has a small budget, to which each municipality contributes, in order to manage facility costs, research, development of vision and strategy, networking events and communications. A Coordination Committee meets three times a year, organises Metropolitan conferences and leads the drive for inter-municipal agreement. Presidents invite committee members to take part.

The collaborating partners form a network to discuss the spatial economy and regional strategies. Agreements reached by the network are ratified in formal bodies such as the Provincial Executive and the board of the Metropolitan Region. Co-ordination of the wide range of agreements is conducted through three platforms, whose Chairmen form the Chairman Discussion group along with regional representatives:

- Platform Planning (PRO)
- Platform Accessibility (PBM)
- Platform Regional Economic Structure (PRES).

The MRA's main challenge has been to translate consensus at the strategic level into operational agreements that can be reliably implemented. One priority for metropolitan cooperation is to jointly define the Development Scenario for the region up to 2040 (*Ontwikkelingsbeeld 2040*). This process, whose main purpose is to develop the region's international competitiveness, has helped to decide the direction of major projects in key areas such as the North Sea Canal, Schiphol, Zuidas and Amsterdam AlmereMarkermeer. Although the official authors of the agenda are the City Region of Amsterdam and the two provinces, leaders in

the MRA provided critical input (Spaans et al, 2013).. The Development Scenario, which advocates densification, is reflected in local strategies.

Conclusion

After over thirty years of collaboration, the twin-track efforts of voluntary inter-municipal leadership alliances have achieved big strides in managing Amsterdam's economic and spatial growth. At the same time, strategic leadership involving both the public and private sectors has begun to flourish. This has resulted in a more ambitious and responsive set of efforts to position the city for international business and investment. Amsterdam's leaders have shown how unifying language and communication, and a sincere approach to collaboration, can build capacity in voluntary leadership systems despite a relatively limited number of fixed responsibilities and implementational tools.

HAMBURG

Hamburg, Germany's second largest city, has been a trading port city for centuries, playing a strategic role in international maritime trade across Europe, the Americas and more recently Asia, specifically China. The city has a strong record of commercial innovation to adjust to changing conditions in its scale-intensive industries, and the port continues to fulfil critical functions for the local economy. This is supported by a wide spectrum of dynamic export-oriented industries including logistics, aviation, media, life sciences, information technology, and creative industries. Among the city's major employers include industrial firms Airbus, Aurubis and Jungheinrich, healthcare companies Philips and Beiersdorf, publishers Spiegel and Gruner + Jahr, retail and logistics specialists such as Otto Group and Kühne + Nagel.

Hamburg has achieved strong and consistent jobs growth since 2003, the active labour force stood at 887,439 in 2013. The city only lost 15,000 jobs in its traditional industrial and construction sectors in the decade to 2013, while rapid growth in financial and business services and real estate (+68,000 jobs) has more than compensated. Employment in the industrial sector is still comparably high with approx. 16% but job creation in trade, tourism and public services has been particularly strong (Statistikamt Nord, 2015).

Organising economic development in Hamburg

Local economic development in Hamburg has been underpinned by the high quality of Hamburg's transport infrastructure, a skilled workforce, innovative local and multinational companies, and a number of advanced research institutes covering a variety of disciplines. As a (city-)state within a federal Germany. Hamburg's government takes on many responsibilities usually assumed by a municipality and a state at the same time. City-level politicians oversee the government at the state level, and are able to wield a larger proportion of tax revenue than in most European cities. The city has a pluralistic governance and decision-making framework. This is not only characterised by the city state level and the seven local boroughs ("Bezirke"), but equally important by a close interaction with institutions such as the Chamber of Commerce, City-owned subsidiary agencies, and private sector associations. This framework has proved agile and capable of responding quickly to new development challenges (Metropolregion Hamburg, 2013).

Hamburg is experiencing a consistent period of in-migration which will see its population rise from 1.65 million in 1990 to a forecast 1.85 million in 2030 (City of Hamburg, 2014). Its success is driving growth in the surrounding metropolitan region, which comprises municipalities in 17 counties and beyond Hamburg two other federal states. This 5 million person economy has become functionally interdependent and more than 320,000 people commute into Hamburg from the wider region each day. In the last 15 years in particular, its leaders have voluntarily pursued a collaborative long-term perspective for growth, including with an internationally-oriented cluster approach to economic development. The mission statement entitled *Metropole Hamburg* –

Wachsende Stadt (Metropolis Hamburg – a Growing City, already defined in 2001 by the senate at the time), anticipates that Hamburg will continue to absorb population in an otherwise shrinking nation.

Hamburg's leadership dividend

Hamburg's leadership innovations have led it becoming the most affluent city in Germany. Since the shipping industry and the related banking sector were hit the city has faced a number of strategic challenges that have needed strong leadership and deeper inter-governmental co-operation. Support of major companies like the HSH Nordbank and the shipping firm Hapag Lloyd also were key. However, to meet soaring demand for housing among a range of groups is deemed the most pressing challenge, despite limited land availability and concerns about the city's balancing of the budget. Other challenges include the expansion of the city port, which requires the optimisation of redevelopment opportunities, and careful spatial management to guarantee environmental sustainability through future cycles of growth and major rail and road infrastructure for future growth.

Since 2011 Hamburg's social democratic leaders have pursued a counter-austerity inclusive growth strategy that has begun to yield significant results. The City has pursued a rational and professional approach to short-term delivery of fiscal prudence, increased housing supply, a more flexible labour market and the broadening of educational opportunities, including pre-school education, within a broader framework of a more globalised city economy. Its leadership characteristics and political culture are highly distinctive in a European context.

Hamburg's local leadership has a long tradition of outward-looking and inclusive approaches. The two dominant political parties in Hamburg, the historically dominating SPD and the CDU, have both tended to adopt pro-growth and pro-investor policies. Hamburg Mayors, such as Henning Voscherau –First Mayor from 1988 to 1997 – have often possessed a cosmopolitan and competent aura.

A step change after the global financial crisis

Between 2008 and 2010, Hamburg underwent a period of crisis management in order to protect its flagging banking and shipping industries. An austerity approach was initiated, while a number of companies were also financially supported by the city-state, resulting in a large budget deficit (the city currently has over €25bn of debt) (SHZ, 2014).

In 2011 a change of leadership occurred Olaf Scholz (SPD) was elected in 2011 on a moderate platform of orderly government and sound fiscal management, with a firm commitment to meeting and implementing election pledges. From 2011, the leadership agenda has embarked on a long-term strategy of inclusive growth, one that is committed to reducing the structural deficit while also acting with a forward-looking, entrepreneurial perspective. From a total City budget of around €12 billion annually, the City's budget deficit fell from nearly €600 million in 2012 to just €231 million in 2015, aided by growing tax revenues. The latest budget forecasts a net surplus of €11 million in 2016.

Mayor Scholz has cultivated a meticulous, reliable and trustworthy leadership style. His strength as a mayor does not derive from having adopted a flamboyant or inspirational style, or

having sought high visibility in the media. Instead he is seen as a very hard worker, a distinctly pro-business politician who does the work he promises on time and to a high standard (Exner and Sturm, 2015).. He benefits from the backing not only of SPD allies, but after re-election in 2015, but also the support from the Green Party. His administration is known for being highly responsive to the concerns of citizens and companies, as part of what Scholz calls “straight governance” (‘ordentliches Regieren’) (Pergande, 2014). He has appeal to political pragmatists across the spectrum, as well as to those that benefit from increased investment in housing, day care, and schools.

After a second successive election victory in 2015, Mayor Scholz has developed a maturing pattern of alliance which has the self-confidence to bid for the 2024 Olympic Games while affirming diversity and inclusiveness. (Hamburg is representing Germany as national applicant, having been chosen over Berlin.) The Games bid presents an opportunity to pursue the next cycle of urban development objectives completing the “Leap across the Elbe”, densification and the creation of living space.

Leadership to invest in social infrastructure

Hamburg’s administration has explicitly sought to avoid a ‘London’ or ‘Paris’ model of expensive housing and very long commutes by dramatically increasing the pace of building permits. Approximately three quarters of more than 900,000 apartments in Hamburg are rented, and more than a quarter of the housing stock is held by housing construction cooperatives and municipal housing company SAGA GWG. This provides a critical supply of inexpensive apartments to sustain the affordability of the rental market, with more than 200,000 homes costing tenants less than € per square metre per month (Pedersen et al, 2014).

Mayor Scholz has stated that the average German income of €2,800 gross per month should be enough to afford an apartment in Hamburg, including in the inner city. The Senate’s new-build housing programme is one of the largest in Germany, building thousands of homes each year for families, single and older people across the price ranges, much of it in western Hamburg. The number of housing units constructed each year increased from 3,200 in 2007 to well over 6,400 in 2013, returning to levels last seen in the late 1990s (Die Welt, 2014).

This represents a remarkable shift that has over achieved on original targets, and has begun to absorb the very high demand to live in Hamburg. During this spike in construction the City has insisted on one-third affordable housing and has successfully met a target to provide 2,000 new subsidised rental housing apartments each year since 2011 (Statistikamt Nord, 2015). This has had an impact on the social mix in the major new development sites such as HafenCity.

Hamburg benefits from an ‘Alliance for Homes’ closely supervised by the Mayor himself via the commission for Housing between the Senate, the seven borough (“Bezirk”) associations of the housing industry and municipal housing company SAGA GWG. This Alliance has set the specific objectives for an inclusive housing market, including not only the 6,000 homes per year target, but also greater flexibility in social housing provision, and special housing support for homeless and disabled people. The boroughs (“Bezirke”) support the objectives by ensuring a faster approval process and the provision of affordable urban land. They are in turn supported by the supply of additional staff when meeting the housing targets at the borough level (Behörde für Stadtentwicklung und Umwelt, 2015).

Mayor Scholz's rational and dispassionate leadership has fulfilled pledges in a number of other key areas of his inclusive growth strategy. One such pledge was to provide a high quality education and training landscape – beginning with small classes for primary school and extending to its acclaimed youth employment agency. Another important pledge was to better and faster integrate migrant children.

The Youth Job Agency Hamburg was established to support the many young people that leave school without adequate basic qualifications or with no career development trajectory, and is an important example of collaborative leadership. The Agency bundles multiple services and provides a single point of contact for young people aged 15-25 at all education levels. Aided by a strong data pool, staff closely support individuals until they are successfully integrated into the labour market, offering tailored counselling. The Agency's advisory council includes employers, trade unions and local politicians, while each office features close collaboration between the front-office teams and the institutions that will help manage cases such as employment agencies, social services and state ministries. Of the 3,500 students leaving school after achieving basic secondary qualifications in 2013, 39% entered an apprenticeship and the same share entered a transfer programme to prepare for an apprenticeship (Pörksen, 2013). The Agency has managed to build the political will for a multi-partner approach, overcoming siloed jurisdictional approaches and data systems (Kahl-Andresen, 2014).

Additional agencies have been created to support graduates more effectively through internships, apprenticeships and jobs (Hartwig, 2015). Hamburg has increased the number of students in higher education from 70,000 in 2008 to over 90,000 in 2013 (Statistik Nord, 2015).

The city also recently abolished a range of fees associated with schooling and daycare. All children aged one and older are guaranteed a place in a kindergarden, crèche, or other day care institution, and since 2014, the basic day care scheme that covers five hours including lunch has been offered for free to parents of children in the crèche or kindergarden section. 43% of pre-school children are now free of charge in kindergarten. Approximately two-thirds of children in school grades 0 to 4 now stay at school until 16:00. This had also had the effect of specifically supporting women to participate in the labour force, providing choice and flexibility to families (Hamburg News, 2013).and stabilizing household income.

Scholz's second successive election victory in 2015, and the maturing pattern of alliance, has contributed to the city's self-confidence to bid for the 2024 Olympic Games. This ambition demonstrates the leader's capacity to master the minutiae of city administration with a big picture vision. Hamburg's pitch to the international Olympic community is that it is a historic independent city-state in Europe that can guarantee a compact, manageable and community-based Games that avoids excess spending and affirms diversity (Tagesspiegel, 2014).

Underpinning the bid are a series of inclusive urban development objectives that are being accelerated via major projects, detailed below.

Catalytic projects to absorb growth

In 2007, Hamburg initiated a new spatial vision for the first time in a decade, recognising the imperatives of a new cycle where Hamburg could position itself as a green, business-friendly metropolis that could re-embrace its waterfront while evolving its port functions. This

development objective for urban infrastructure is “More City in the City”. The aim is to channel existing growth momentum primarily by finding space within the areas that are already built up or under-used, raising density in order to offer more people places to live and work (Scholz, 2014b). Within the city boundaries. This constitutes a decisive break with 20th century city planning ideals in Hamburg which aimed to accommodate growth mainly by adding to fringes of the city. The administration also launched campaigns for quality open space alongside new construction projects to support the needs of existing residents (Hamburg Behörde für Stadtentwicklung und Umwelt, 2007).

Hamburg has since been experiencing a development boom in the past few years as a result of the Senate’s ambitious housing programme combined with high demand for commercial real estate. Several major projects are expanding Hamburg’s growth capacity in the south and east, and catalysing economic activity that has a clear inclusiveness dividend. These projects tend to share good governance structures, a wide social mix, a compact growth approach, and investment in social capital. Many involve the negotiation of a mixed approach with investors that combines subsidised apartments, privately financed rental housing, and condominiums. Investor demand is growing and approximately €3.6 billion was invested into Hamburg’s commercial real estate market in 2014 (Thomsen, 2015).

Maybe the most catalytic of these projects to absorb and foster growth has been HafenCity Hamburg. Stemming from a study by Mayor Voscherau (SPD) in 1997 to explore opportunities for renewal of inner-city port fringes, it had brought an entirely new development perspective for the city since the presentation of its masterplan in 2000.

With the development process of HafenCity, a 1.5km² harbour and industrial site is effectively expanding the city centre by 40%. The urban development principles of HafenCity masterplan sought to add intensity, quality and liveability to the site’s public spaces, with homes for up to 7,000 homes and 45,000 jobs representing about 4% of the city’s labour force. For such a large and transformative project, the City of Hamburg’ relied on a new publically owned urban development agency, HafenCity Hamburg GmbH, to lead the site’s progress. All the public land was transferred to this agency, and the rest bought, so as to use subsequent sales to finance infrastructure. This enabled the City to combine public interests and private capacity, and to depoliticise many of the important development decisions. HafenCity Hamburg GmbH is overseen by a senior board headed by the mayor and four Hamburg senators (Bruns-Berentelg, 2012).

In effect HafenCity precipitated a very ambitious entrepreneurial tri-partite model of project delivery and leadership; the City of Hamburg’s Ministry of Urban Development have taken the lead for development plans and building permissions, and help part-finance special items of infrastructure such as university campuses, concert halls and subways. HafenCity Hamburg GmbH became the key landowner, developer and communications manager, financing activities from land sales; and the private sector emerged as the key investors in particular sites. This model helped build up very strong working institutional relationships and organisational focus, where actors agree to mutualise risks and benefits.

HafenCity is growing into one of the largest city centre development areas in Europe, currently hosting over 10,000 jobs but with the potential to support up to 45,000 jobs (HafenCity

Hamburg, 2014b). Its leadership has been able to learn lessons from an earlier generation of waterfront projects, such as London Docklands, and include provision of affordable housing, social infrastructure and mixed use activities. Public investment of €2.4 billion, much of which was financed from land sales, has catalysed over €8.5 billion of private investment. Among the new companies to re-locate to HafenCity are Marquard & Bahls, Gebr. Heinemann and Engel & Völkers, bringing nearly 1,500 jobs (MIPIM, 2015).

In the most recent phase of HafenCity's development, areas such as the southern Überseequartier waterfront and Baakenhafen are bringing forward a large number of apartments, many subsidised for families, students and pensioners. The French real estate company Unibail-Rodamco has agreed a very large €860 million investment in the Überseequartier, and will manage the site over the long-term. This is set to create 1,900 new jobs in the retail and catering sectors, among others.

HafenCity was the first step in what has become a very ambitious City-led approach to find new spaces in the inner city to absorb growth and empower local residents. The Leap Across the Elbe subsequently became a key urban development objective in Hamburg because of its huge potential to solve housing and commercial space challenges, to foster social and spatial integration and ultimately to avoid exporting poverty to the suburbs. The strategy was announced in 2004 to create a demonstrator community across the river to set a benchmark for inclusive redevelopment across the city. The subsequent International Building Exhibition (IBA) was a major programme of activity that ran for seven years until 2013 in order to stimulate dialogue about Hamburg's ambitions to become a 21st century socially integrated European economy. Extending across a 35km² space in the inner-suburbs south of the Elbe, the Exhibition organisation was entirely under the auspices of the City of Hamburg also led by a company owned solely by the city state IBA Hamburg GmbH. IBA established partnerships with over 100 public and private partners. About €1bn was invested - two thirds from the private sector, and the exhibition left a legacy of schools, nurseries, retirement villages, apartments and public space. IBA Hamburg was reformed into a public project developer and entrusted with housing projects creating up to 4,000 residential units in five neighbourhoods in the district of Wilhelmsburg, as well as a variety of other sites.

Hamburg's latest leadership ambitions to build a smart, liveable and inclusive city includes a series of initiatives in Hamburg East, entitled "Upstream On the Elbe and Bille". The policy identifies 11 sites for urban development and commercial re-activation up to 2030. In one project, a new exhibition and workshop named MINTarium aims to offer a dynamic extracurricular place of learning for students of science and technology. In the long run, 2,000 homes are to be developed in those 11 sites but also new spaces for production – a step especially important in order to maintain and expand Hamburg's economic base in industry and skilled labour. The city here aspires to new spatial forms of urban production, involving vertically organised buildings and a lively urban streetscape organized at +0 levels, in order to generate long-term flexibility both for the buildings and the tenants.

Projects are also taking places elsewhere in the inner city. Approved in 2012, the Mitte Altona development project is another that aims to create a socially mixed and family-friendly community. Up to 3,600 apartments are under construction, with one third publically subsidised rental housing (Bossy, 2014). The City of Hamburg has invested an initial €39 million to

purchase railway lands upon which many of the homes of the second phase of development will be built.

Leadership on immigration and sustainability

Hamburg's city leaders have reacted thoughtfully to the challenge of achieving economic growth while observing the need for inclusion and sustainability. The city has sought to re-define itself as a self-aware and self-confident city that is a European capital of technological innovation and social inclusion. This has led to important leadership collaboration to integrate a more diversified population and to create new sources of employment in the green economy.

Hamburg's leaders have made important political commitments to the integration of immigrants. The percentage of foreign-born population has now surpassed one quarter, which is the highest share of all federal states in Germany. Mayor Scholz has publicly spearheaded the city's "Ich bin Hamburger" naturalisation campaign, resulting in a rapid increase in the number of immigrants becoming citizens since 2009. Scholz has argued that naturalisation is an essential step to binding new arrivals to a common purpose and spirit of the city. In total, by 2014 there were around 550,000 with a migration background living in Hamburg, 31% of all residents, up more than 60,000 since 2009 (Statistik Nord, 2014). City leaders have hosted national conferences on integration involving the federal government, states and municipalities. Private sector leaders also play an important role in this area. The Chamber of Commerce actively supports the integration of refugees with language training in order to allow faster integration into the regional labour market (Hamburger Abendblatt, 2015).

Hamburg has also become one of Europe's leading locations for the wind industry, with 185 companies employing 25,000 workers in renewable energy across the metropolitan region. A cluster strategy has been built around the research agenda of four universities in Hamburg and participating companies. This has been complemented by the construction of an 'Energy Campus Bergedorf' for wind energy research and the settlement of the Siemens Wind Power Division. Public sector leaders promote the development of electric mobility. Mayor Scholz keenly advocated the partial repurchase of energy networks, while in a referendum voters opted for a complete repurchase which has now been completed. The city's Environmental Partnership has institutionalised voluntary action and legal measures to conserve resources. The Partnership, made up of 1,000 partner firms, has provided a platform for dialogue between business, politics and administration, as well as having saved an estimated €50m in annual operating costs.

Business leadership

Hamburg's Chamber of Commerce is an example of a highly influential source of business leadership for local economic development. At 350 years old, it is Germany's oldest business group and one of the oldest in the OECD. Located directly opposite City Hall with approximately 250 staff, it is a highly influential advocate and agenda-setter in the city. It represents over 160,000 companies (the membership for companies is compulsory in Germany) and provides services for sectors such as trade, education, finance, health, industry, IT, media, tourism, and transport.

The Chamber's role has evolved under its distinctive alliance between merchants and the manufacturing labour force, whereby commercial actors were given license to conduct their

operations undisturbed, while the political system ensured an adequate framework for redistribution and social progress. The primacy of rational economic thinking has long been established in this model. The Chamber's business climate index has been tracking local business sentiment since 1980, while its 'Hamburg skilled workers monitor' provides in-depth analysis of likely supply and demand of skilled workers in the city up to 2030, which is an important planning tool for government decision-makers.

In recent years there is a constructive ethos of collaboration between the Chamber and the city government. Former chamber President Frank Horch is now a Senator with responsibility for economic policy, and prominent industry representatives have publicly called for the re-election of the incumbent SPD government. The current chamber President Fritz Horst Melsheimer has a background in the insurance sector. Currently the Chamber's most pressing concern is the deepening and widening of the River Elbe, a project which has been in negotiation for over a decade and is pending approval from the Federal Administrative Court. The channel adjustments are viewed as critical to cope with demand from larger ships as the city seaport achieves record annual turnover as the most important sea port in Europe although 1050 km away from the North Sea. The Chamber is also a major backer of the Olympic bid, and the potential it has to broaden the scale of Hamburg's functional economy (Gienke, 2015).

The Chamber of Commerce supported Hamburg to become the first state in Germany to introduce Business Improvement Districts as an instrument for local development. The Hamburg BID Act created a framework for property owners in the city to co-invest in retail areas and build new services and marketing activities. The Chamber promotes cross-sector collaboration and supports the establishment of professional district management. As of late 2014, Hamburg has 8 BIDs, with a total budget of over €23m. Many of these BIDs have evolved to co-ordinate larger projects to attract private investment (Handelskammer Hamburg, 2015).

The Chamber plays the main strategic role in terms of business leadership, but for more than 30 years Hamburg's Business Development Corporation (HWF) has played an influential role in attracting businesses to set up and in developing the city's economic policy. Since 2013, the HWF's powers have been expanded and consolidated. Firstly it was integrated into the same building as Hamburg Marketing GmbH and Hamburg Tourism GmbH. Since 2014, HWF has been assigned new responsibilities, including the supply of commercial properties, the provision of publically-owned premises for the logistics sector, and support of industrial development in the eastern areas (HWF, 2015b). In 2015, its leadership was combined with that of Hamburg Marketing GmbH (HMG), aiming to enhance co-operation between economic development tourism and marketing teams.

Leadership within and between key clusters

A major strength of Hamburg's economic offer is the leadership and networking between its productive sectors, such as transport, logistics, finance, law, aviation, renewable energy and IT. Hamburg's leaders were among the first in Germany to develop a proactive cluster policy in areas where it has an existing skills base and is capable of attracting capital. At the same time a rich institutional mix of local clubs and global ambassadors, some of which are appointed by the Mayor, supports Hamburg's responsiveness to changing patterns of trade and exchange.

Hamburg@work was the city's first cluster initiative when launched in 1997, and in 2002 Hamburg Senate adopted an explicit approach to the development of several clusters. As well as recent clusters such as renewable energy and the maritime industry, the nextMedia Hamburg initiative aims to position Hamburg's digital economy internationally by supporting the transition into new business models. It is sponsored jointly by the City of Hamburg, HWF, and the club Hamburg @ work cross-industry business network.

Hamburg's cluster approach goes well beyond the basic allocation of funds. Public sector leaders have gradually become long-term partners and promoters of cluster innovation, by bundling multiple policy areas within one ministry. Networks managed by experienced networking professionals have been established for actors within each cluster – firms, education providers, research institutions and business chambers. They receive support from cluster agencies, which have been founded by companies, universities and government offices, and which have strategic capacity to address skills issues. Each cluster has direct access to the relevant Senate ministry, which creates responsiveness in the political process, and a high degree of customisation and iteration to meet cluster needs. Participants in the clusters attribute their success to the long-term character of co-operation, and the incentives to interact that stem from the trust built up between businesses.

Hamburg's success in the tourism sector has also been attributed partly to a reorganisation of leadership. Tourist visitors have more than tripled in the 25 years since the establishment of the Hamburg Tourism GmbH, despite an admitted absence of internationally recognisable attractions or highlights. In 2014, 11.6 million overnight stays were recorded, nearly a quarter from outside Germany – led by English and Swiss visitors. This places Hamburg only marginally behind Munich. Rising cruise tourism demand has also prompted the construction of the Hamburg Cruise Centre Altona in addition to the Hamburg Cruise Centre Hafencity and a new terminal in the harbour, to start operation in June 2015 (Hamburg Cruise Centre Steinwerder). The rise of tourism into a €6bn sector has been attributed to the positive image conveyed by Hafencity, high profile musical events, and cruise tourism. (Hamburg Tourism GmbH is owned mainly by the city's Hamburg Marketing GmbH (51 percent), but also by the Tourismusverband Hamburg e.V. (29 percent), the Chamber of Commerce and Dehoga Hamburg, a trade association of hotels and restaurants (both 10 percent).) Another touristic highlight is the Elbphilharmonie, a concert hall at the western tip of Hafencity overlooking the harbour is scheduled to open in January 2017.

Conclusion

Hamburg illustrates a distinctive leadership approach that seeks to manage the costs and externalities of growth to ensure that more people have access to the growth dividend. Since 2011, the visionary and rigorously followed policies of Mayor Scholz's administration have combined with a macroeconomic and regulatory framework which is broadly pro-inclusion. The city's policies and urban development initiatives have been committed to offering fair opportunities to access work, housing, daycare and amenities, especially to potentially disadvantaged groups such as students, trainees, families and elderly people. The commitment to inclusiveness has been embedded into the city's leading edge developments over the past decade such as Hafencity, Leap Across the Elbe and Hamburg East. These well-managed projects are generating the revenue to increase the supply of affordable housing in the inner city and have improved the availability of jobs for lower-income residents and immigrants.

Hamburg's collaborative leadership has seen elected leaders bring in other players, building alliances and joint ventures in order to build local economy and employment. The city's Chamber of Commerce has extended its influence in areas such as labour market integration and BIDs, while the Alliance for Homes and Youth Job Agency have successfully mobilised multiple public and private institutions around common goals. Cluster leadership networks have also matured into highly responsive actors in the local development nexus. These combined efforts have had a significant impact on Hamburg's ability both to serve a growing population and to adjust its economy to compete internationally.

MANCHESTER

The leadership of Manchester and Greater Manchester has been characterised by 30 years of collaboration, continuity and resourcefulness. The abolition of a metropolitan tier of government kick-started a culture of joint working and voluntary partnership, under the stewardship of committed and charismatic local politicians who recognised the conurbation’s historic assets and potential. From this platform, unique in England, Greater Manchester has used astute negotiation with central government to achieve substantial public sector reform, create new investment models, build a more integrated leadership structure, and (most recently) gain control over key items of spending (Bernstein, 2014a)..Most recently, Sir Howard Bernstein and Sir Richard Leese were nominated at the top of the ‘ultimate local government power list’ in a 2014 poll of leaders by Local Government Chronicle, for their contribution to the national debate on devolution (Williams, 2014).

Greater Manchester’s culture of proactive city leadership and regional collaboration emerged from two key features of its development framework. Firstly, Greater Manchester’s travel-to-work region is highly monocentric, which has reduced the space for argument about where the growth will predominantly take place (Hildreth, 2011).

.Secondly, at only 116km, Manchester City Council is significantly under-bounded, with much of its urbanised area located beyond the City borders. City and civic leaders have therefore had an immediate rationale to negotiate purposefully and pragmatically with surrounding local authorities to fulfil their ambitions for Manchester.

Greater Manchester’s model of city and metropolitan leadership is distinctive for the role played by dedicated and influential individuals who have possessed an intuitive grasp of local development needs, and who have actively built coalitions and alliances around their vision. This is both within the city of Manchester and the other nine local authorities that make up Greater Manchester. The city region has developed a model of leadership that became termed the ‘Manchester model’: bringing together Greater Manchester organisation chiefs as partners in a development strategy that is commercially minded and sensitive to local needs.

Leadership across Greater Manchester

Throughout the last 30 years, Greater Manchester has benefited from stable and secure dialogue between the 10 local authorities that comprise it (Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan). After the abolition of Greater Manchester County Council (GMC) in 1986, local authorities were freed from a two-tier structure and enabled to co-operate as unitary, single authorities. Although political differences between the authorities do exist - eight of the ten members of the Combined Authority represent the Labour Party, one represents the Conservative Party and another the Liberal Democrat Party – there has

been more sustained political alignment and co-operation than is typical in other UK metropolitan areas.

The 10 councils became signatories of the voluntary **Association of Greater Manchester Authorities** (AGMA) in 1986. This organisation faced challenges uniting the priorities of the ‘outer’ boroughs with the ambitions of the City of Manchester. Nevertheless, AGMA allowed other bodies to evolve at the same scale, in accordance with Manchester’s economic geography. In the UK, Manchester was one of the first cities where institutions began to jump political boundaries and address the functional economic area.

Leaders within Greater Manchester have built a mature set of relationships imbued with trust and conviction in a positive sum game. One notable example is **Lord Peter Smith**, the current Chair of the Greater Manchester Combined Authority. Leader of Wigan Council since 1991, he makes decisions on behalf of residents at an outlying point of the Greater Manchester area, 30km from Manchester itself. Nevertheless he has been consistently supportive of improved regional infrastructure because of an understanding that outer authorities will benefit from a well-functioning region. An economics graduate with experience in finance, Smith has played a statesmanlike role in AGMA. His rigour and down-to-earth personality have been decisive in forging an ethos of mature cooperation. His buy-in to the metropolitan project gave confidence to other leaders in outer authorities that the benefits would not only be absorbed by the City of Manchester.

Abiding leadership personalities in Manchester

The leadership of **Graham Stringer** as leader of Manchester City Council in 1984 marked the start of a new chapter of the city’s history. A resolutely Labour city, Manchester’s ‘New Left’ leaders decided to adopt a spirit of constructive engagement with central government and partnership with the private sector. This shift accelerated after the national electoral defeat of 1987. Stringer and other Council leaders endorsed the nationally imposed Central Manchester Development Corporation and sought to build a common strategy for the city centre. They also sought to position Manchester as an international city through the hosting of major events. The Olympic bid process was an important vehicle of Council-steered consensus across the metropolitan area, with other agencies and private representatives. A Marketing team and Special Projects team both gained a degree of administrative autonomy from the Council, in order to work more quickly with external partners, and economic policy was instigated and managed by the council leadership in tandem with these two departments. This marked the beginning of Manchester leaders’ re-engagement with the private sector as a driver of inclusive growth.

In 1996, Stringer was succeeded by deputy leader **Sir Richard Leese** as leader of Manchester City Council, a position he retains to this day. Leese was concerned to tackle the social and cultural as well as physical elements of regeneration. While he has become a skilful veteran of city and Labour politics, the City Council has seen its Labour Party composition grow over time. It is this long-term political and leadership stability, especially at Manchester City Council that has created room for strategic vision, and has also been an attraction to prospective inward investors and developers. Leese’s international outlook and profound grasp of political diplomacy has been critical to effective advocacy for Manchester’s ambitious programme of development.

Sir Howard Bernstein has been Manchester City Council’s Chief Executive since 1998, and was an employee of the Council at the start of its process of adjustment in the mid-1980s. Bernstein helped write the 1984 City Centre Local Plan, which outlined ambitions to rejuvenate the commercial office stock, repopulate the central city and revive public transport. He became a driving force in altering the perception of the local authority, which became associated with innovation, dynamism and an outcomes-led rather than process-led approach. By the mid-1990s he had re-cast the role of the Council as an assertive shaper of local development that was also realistic about the importance of sharing power with other entities.

Bernstein’s leadership role grew when he was chosen to run the city centre taskforce after the 1996 IRA bombing, shortly after which he was appointed Chief Executive. Since his appointment as Chief Executive, Bernstein has been able to employ a team of highly capable senior officers with long-term experience of Manchester and build a strategy oriented around competitiveness. Bernstein’s cited leadership qualities have included a positive and can-do approach to political negotiation, a reluctance to engage in political hostility, and a desire to work with rather than against London and other English Core Cities (Jenkins, 2015).. His commitment to innovations and solutions has been widely praised.

Building bridges between public and private sectors: the role of business leadership

Greater Manchester’s leadership team has built a formidable track record of constructive private and public sector collaboration, in an attempt to understand the city region’s strengths, and develop strategies that build on existing assets. Leaders have long been concerned to leverage investment in housing and commercial development in order to become a more desirable destination for a variety of ‘customers’. Close relationships with property and business communities have allowed Greater Manchester to engage with developers, investors and occupiers and to manage and bring forward large schemes. Investors have been attracted by public sector institutions which understand the drivers of economic growth, and which achieve real physical improvements rather than marketing initiatives (OECD, 2013).

Greater Manchester’s strategic initiatives have always been designed and created with business in mind. In 2003, the city region developed its first strategy, and established the Greater Manchester Forum to bring key organisations together to agree how to partner and deliver it. This strategy – whose vision was “A world-class city-region at the heart of a thriving North West” - was followed in 2004 by the **Greater Manchester Economic Development Plan** (Overman and Chesire, 2011). Produced by Manchester Enterprises, the economic development agency for Greater Manchester at the time, the approach brought together the 10 local authorities, private and voluntary sectors, statutory agencies, education institutions and trade unions for the first time. It sought ways to complement London as a place for foreign investment, and develop new niches using its talent pool and affordability advantages.

A step change in business engagement in city leadership took place with the **Manchester Independent Economic Review** (MIER) in 2009. The £1.3m Review was the first time that economists and business leaders created an evidence base to propose policy to Greater Manchester’s decision-makers. The Review consisted of a Commission of national and international innovation leaders and academic economists, supported by a Policy Advisory Group and Secretariat. Together they created a new narrative about the longer-term economic future of

Greater Manchester, making the case that Manchester, like London was an ‘escalator’ region for aspirational young people, a role it had to develop further.

The Review’s work convinced leaders to alter their focus on specific sectors towards the fundamentals of employee skills, transport and housing. Among other things, the Review influenced the decision to develop the Enterprise Zone near Manchester Airport, to link transport investment to growth targets, and to target the roots of economic inactivity and worklessness. It also had the effect of reinforcing the bond between local authority leaders because of the commitment to collective investment and collective infrastructure (Chapman, 2012).

Business leaders have therefore come to play an important role in shaping the strategic direction of the city region, and also in overseeing key elements of the growth agenda. Many private players now keep abreast of the changing economic requirements of the city region, and have become more attentive to property, space and density needs. Today, many business executives are active in leadership strategies that combine the strength of the city region’s institutions with its entrepreneurial ethos. In 2008 the Business Leadership Council (BLC) was created which acts as a key strategic advisor to both the LEP and the Greater Manchester Combined Authority providing private sector-led perspectives on issues fundamental to GM’s sustainable growth agenda. BLC members are senior and experienced members of the business community in the Greater Manchester, drawn from a broad range of industries. Members are appointed using an independent search and selection process.

Since 2010, the UK government has introduced **Local Enterprise Partnerships** as the institution that delivers economic development strategy. Unlike in other cities, the Local Enterprise Partnership (LEP) has been attached to the region wide administrative apparatus, and is appointed by the Combined Authority. The LEP and the GMCA have a common strategy the GMS Stronger Together 2013 which fuses plans to reform public services (to eliminate the gap between the taxes we raise and the money spent on public services) with a continued drive for growth and prosperity.

The Greater Manchester LEP is smaller than the previous North West Regional Development Agency (NWDA), and consists of nine senior private sector executives and four local government representatives, who meet together regularly. Since 2011 the LEP has been chaired by Mike Blackburn, Vice President of Strategy & Planning for BT Global Government. Drawing on the advice of AGMA’s Wider Leadership Team (the Chief Executives of the ten local authorities, Transport for Greater Manchester, the Greater Manchester Fire and Rescue Service, New Economy, the NHS and Greater Manchester’s Chief Constable) the LEP has a strategic function and works closely alongside the Greater Manchester’s political leaders, to ensure that business has a strong voice in the economic strategy. Over the last few years the LEP has demonstrated strategic leadership over various agendas, including: Science & innovation; Internationalisation; Town Centres; Critical infrastructure; and Supporting industrial policy (in the first instance textiles).

In 2013, steps were taken to provide the GM Combined Authority and the LEP with the resources and expertise to help deliver the ambitions of the Greater Manchester Strategy. The Manchester Growth Company was created in order to consolidate and strengthen GM’s capacity to deliver economic growth and prosperity. This brings together the economic development

functions of Economic Solutions, Marketing Manchester, MIDAS and New Economy to drive forward Greater Manchester's economic development.

Innovating for local and international investment

Over the past decade Greater Manchester has developed a distinctive approach to investment planning and appraisal. After the setback of missing out on the £3 billion Congestion Charge package in 2008, Greater Manchester leaders have shifted to a process that optimises economic returns and have managed to gain broad political support for this.

In 2009, the **Greater Manchester Fund** was set up, which required the ten local boroughs to invest over £1bn on joint transport projects such as the Metrolink light rail system. Shortly afterwards AGMA, in conjunction with other north west partners and CBRE, were chosen to lead a North West Evergreen Fund, an important investment vehicle which came to involve 19 local authorities across the region. Using EU funds and private sector capital the Fund provides loan financing for projects that would otherwise not proceed and which are viewed to deliver the highest economic benefits.

The Investment capacity of GM was further enhanced through RGF and Growing Places funding awards of c£100m with which Greater Manchester successfully developed a unified **Investment Framework** which prioritised a pipeline of commercial and physical projects according to measurable impact. This assembly of funding streams (totalling some £170m) has enabled the region to focus on effective resource management and growth optimisation. The commitment to collective investment decisions that apply across more than one cycle of development and which do not benefit all authorities equally, was a clear indication of Greater Manchester leaders' belief in pooling for the greater good. As of early 2015, the suite of GM Funds have committed in excess of £160m and delivered in excess of 8,000 jobs with ambitions to create further complementary funds from the 2014-20 ERDF programme.

The innovative use of fund money paved the way for Greater Manchester's landmark '**City Deal**' with national government. The centrepiece of the Deal is a highly innovative mechanism for the city region to 'earn back' part of the national tax revenues generated by the joint investment. The **Earnback model** allows the 10 authorities to recoup up to £30m a year from central government from raised business rates, on a payment-by-results basis. These funds can then be recycled and reinvested in further infrastructure (Anstee et al, 2014).

Earn Back became a political possibility because of the scope of Greater Manchester's local authorities to invest and benefit collectively. The infrastructure spending that has been accelerated in Manchester now allows for direct connections between all four corners of Greater Manchester. The Greater Manchester Pension Fund is one of the entities incentivised to invest in the local economy by the collaboration of the authorities in the region

Attraction of international investment capital

Leaders have also actively sought to attract investment capital in order to create jobs. The £800m Airport City, located within Greater Manchester Enterprise Zone, is the city region's premier development opportunity marketed internationally, especially to China. The site's land assembly and investment attraction is managed by Manchester Airport Group which strengthened

leadership with a new Divisional CEO Property position in 2014. The site has already witnessed strong demand for logistics property because of strong airport and motorway links, and unveiled its first major client, DHL, in 2013. Beijing Construction Engineering Group is an equity partner in the project, delegations to China have also resulted in negotiations with Chinese logistics (Jupp, 2014a).

The five-site Enterprise Zone also intends to become a major health and science R&D centre, catering for life sciences, pharmaceutical and healthcare companies.

Airport City is the first project of its kind in Greater Manchester that has its own dedicated employment and skills strategy, approved by the Combined Authority. In total, it hopes to attract up to 16,000 additional jobs to the Zone over the next decade, with 50% vacancies intended for residents of the region. Leaders, including Sir Richard Leese, have personally worked to explain the benefits and opportunities to local businesses and future workers on the site (Whelan, 2014).. The Local Enterprise Partnership and the Combined Authority have also secured Assisted Area designation for the site from central government.

Airport City is one of many development projects being effectively organised to attract investment and jobs – other notable large scale projects include MediaCity, Kingsway and Port Salford which have also brought significant opportunity to the area. In addition, leaders have built very constructive relationship with Abu Dhabi United Group, the investment company that owns Manchester City FC. This has enabled progress to be made in Manchester Life, an important new regeneration partnership for the city that will build 6,000 homes over 10 years. Up to £1bn is being invested, with the Abu Dhabi private equity company citing the City Council’s vision and track record for regeneration as a major incentive (Jupp, 2014b).

Greater Manchester’s economic leadership team, in conjunction with the Greater Manchester inward investment agency - MIDAS - take a very proactive approach to target markets. For example in July 2012 they hosted a workshop at the House of Lords to discuss the geographical areas, activity and investment propositions that can grow links and profitability between Manchester and China. The Manchester-China Forum was consequently established to help increase Greater Manchester’s commercial connectivity with China.

Enhancements to the governance structure

At the same time as improving Manchester’s business friendliness and investment readiness, leaders have also grasped the necessity of strengthening the institutional apparatus beyond the voluntary partnership that had been in place for over 25 years. This would enable **more effective joint working on significant issues including transport, regeneration and economic development**. Through AGMA, they had long argued that transport, housing, economic development, skills and job creation are better addressed at the city regional level. In 2011 the **Greater Manchester Combined Authority (GMCA)** was established, the first statutory combined system of its type in the UK, to provide a stronger model of city regional governance. Bringing together the 10 local authorities, the GMCA assumed the roles of the previous region wide Transport Authority as well as remits for economic development and regeneration. It has provided an accountable focus for economic interventions within a single labour market, and is underpinned by a mature business leadership structure taking responsibility for delivering economic programmes.

GMCA is significant for its partnership with other metropolitan bodies such as Transport for Greater Manchester and the Local Enterprise Partnership. This helps create a unified voice for the city region, and to develop a joint vision for growth. Despite the challenge of evolving from a voluntary group of 10 authorities, to a formal government system, the organic character of the collaboration has supported this adaptation and allowed all 10 members to feel ownership in the new system. The GMCA has been careful to ensure that its relationships with the local authorities are cordial and strong, by showing how GMCA benefits localities and vice versa. Political exchanges and disagreements still exist, but the general leadership outlook is that the region is engaged in a shared project with a shared future.

Individual authority leaders lead their own working groups and sit on commissions. Each Leader also takes on a lead role for a particular portfolio within the GMCA, examples include such areas as low carbon, investment, planning & housing, and marketing. There is also a monthly meeting of the 30 member (3 members from each district) Greater Manchester Scrutiny Pool, which acts as focus for the scrutiny and challenge of GMCA, AGMA and other Greater Manchester level functions investigating matters of strategic importance to residents. The Operating Agreement between GMCA and the 10 districts sets out how the GM scrutiny function will operate, whereby major, strategic decisions can be called in.

Making the case to central government

Greater Manchester's leaders have overcome episodes of disagreement with central government to forge a shared vision that optimises money and powers for the Manchester model. After the physical regeneration success of the central government-sponsored Central Manchester Development Corporation that had operated from 1988 and 1996, between 1998 and the mid-2000s relations were strained due to competing visions for regional development. Council leader Sir Richard Leese was one of many to disagree with the creation of regional development agencies at the expense of the local level.

More recently, however, Greater Manchester leadership has sought to position the city at the leading edge of the post-crisis economic revival of the North of England, and as a trusted pioneer of reforms to re-balance the national economy. In a fast-moving context of austerity, Greater Manchester's tactics of negotiation have been to co-operate and agree as far as possible to do things proposed by central government, but always ensuring the city region can do so on its own terms.

Greater Manchester initially succeeded in gaining the trust of central government to run a wider span of city services and to benefit from national capital spending. GMCA made the case that the metropolitan area suffers from poorly designed national models of skills provision and public service delivery that are unable to optimise worker employability and productivity. Amid the challenge of having to achieve large cuts to public spending, the **Greater Manchester Growth Deal** secured funding from the Treasury to deliver major transport schemes, a Life Sciences Fund, and improved adult skills. A major reason for the trust shown by central government in granting powers is the creation, by Greater Manchester leadership, of a clear and viable plan that could inspire confidence.

Leaders continued to make the case for greater self-sufficiency. In 2011 the city region supported a national panel of local government experts to form a **City Finance Commission** that

called for greater financial freedoms for England’s largest cities. The Commission’s report noted that the role played by Manchester and other secondary cities in the UK’s growth had been underestimated by central government policymakers. Its key recommendation was for the devolution of property tax revenues streams with the ability to reform those taxes while retaining prudential rules for borrowing. This would provide stable and continuous funding to stimulate economic growth according to local needs, moving away from ad hoc financing for specific projects, allowing cities to raise sustained investment for vital infrastructure such as transport, schools, housing, energy supply and technology.

After a long period of Greater Manchester lobbying and case-making for devolution, in June 2014 Chancellor George Osborne announced, in a speech made in Manchester, an invitation for cities to develop proposals for devolution of powers and budgets. Osborne then asked Bernstein to produce a plan for substantial devolution to a regional Manchester body, presided over by an elected mayor. He worked in London over summer 2014, developing the details in consultation with Leese and other GM leaders and senior officials in the national Treasury. They decided to be ambitious in a bid for an unprecedented wide span of powers, covering transport, strategic planning, housing, further education, business support, employment, skills and apprenticeships. They also proposed a number of high-profile infrastructure schemes – such as a high-speed rail link from Manchester to Leeds (‘HS3’), a Metrolink extension to Manchester airport, and a £250m centre for materials science.

The central government decision in 2014 to back a ‘northern powerhouse’ region to complement London constituted a significant evolution in policy, as did the support for a Mayor in Manchester. Osborne’s conviction in the merits of rapid devolution was essential in order to persuade national ministers to agree to devolution of key functions encompassing the majority of what they asked for.

Table 4. Key dates in Manchester's leadership transformation

	Governance changes and key documents	Leadership landmarks
1986	Greater Manchester Council abolished. Creation of Association of Greater Manchester Authorities and Greater Manchester Integrated Transport Authority	
1991		Peter Smith elected to leader of Wigan Council
1996		Richard Leese elected to leader of Manchester City Council
1998		Howard Bernstein appointed as Manchester City Council Chief Executive
2003	Manchester Enterprises created	
2004	First economic strategy created for Greater Manchester, assembling new partners	
2008	Establishment of New Economy to replace Manchester Enterprises	Business Leadership Council established
2009	Manchester Independent Economic Review published Greater Manchester Strategy	
2011	Greater Manchester Combined Authority created Transport for Greater Manchester established	Greater Manchester Local Enterprise Partnership
2012	City Deal 'Earnback' model agreed with central government	Rejection of City mayoral system in local referendum.
2013	Manchester Growth Company created Greater Manchester Strategy refreshed	
2014	Devolution package agreed with central government	Mayoral position for Greater Manchester announced
2015	Health & social care budget devolved	

A new Mayoral platform for metropolitan leadership

In November 2014, a historic decision was made to approve Greater Manchester gaining its own directly elected mayor, with powers over transport, housing, planning, regeneration and police. A range of new powers are set to be devolved to the Greater Manchester Combined Authority (GMCA), including some span of control over business development and health and social care budgets. The new mayor, to be appointed on a temporary basis in 2015 before a permanent election in 2017, will become the 11th member of the Combined Authority, with the latter set to be assigned more formalised portfolio responsibilities. He or she will not only be able to deploy the 'Earn Back' revenue, but will also administer a new housing investment fund capable of financing construction of 15,000 extra homes up to 2025. The future mayor will also run a £100m welfare-to-work programme to help up to 50,000 people find employment, and will have the power to provide an integrated ticket system along the lines of London's 'Oyster' card system (Dudman, 2014).

Sir Richard Leese and Lord Peter Smith played a key role in convincing the eight other Greater Manchester council leaders of the merits of an elected regional mayor, a model widely

distrusted among politicians in Northern England. Leese and Smith benefited from good personal relationships with the one Conservative leader in the region, and with influential Labour leaders. They persuaded the group that without the regional mayor system, the devolved powers and priority infrastructure projects would not be granted. With Sir Howard Bernstein, they successfully proposed that the mayor would be accountable to a cabinet made up of the 10 local leaders, rather than to a new elected assembly (the London Assembly model). Leaders have since agreed to adopt an incremental reform whereby the mayor will Chair the Combined Authority cabinet. As part of the agreement, Leaders will approve the spatial plan of the mayor and will also have the ability to overturn the spending plans of the mayor if seven or more out of ten Leaders voted in favour of that.

Greater Manchester's devolution deal is significant. In all, the city region will have influence over an estimated £7bn spending (£1bn agreed initially as part of the devolution deal in November 2014 circa £6bn health and social care confirmed in February 2015), representing 32% of total estimated public spend (£22bn) in Greater Manchester. This constitutes a major change in the profile and accountability of local leadership, and some of the Mayor's powers – for example in health and social services – currently exceed those of London. Greater Manchester leaders have already expressed a longer-term ambition to exercise influence or control over the entirety of public spending in Greater Manchester. The Combined Authority is currently discussing a 'road map' of future functions and fiscal responsibilities that can be transferred from national government.

Other England city regions have attempted to follow Greater Manchester's lead, although not necessarily with precisely the same structures or arrangements. West Yorkshire now has a Combined Authority, as does the West Midlands. No other city region has yet to succeed in speaking with a single cohesive voice in the way that AGMA and GMCA have. Greater Manchester's example has invigorated the national political debate around empowering cities to meet their economic development goals.

Next steps

Greater Manchester's savvy and charismatic leaders continue to negotiate for a unique suite of powers and responsibilities. From mid-2015, Greater Manchester will gain joint control of National Health Service spending along with local NHS managers. This unprecedented reform aims to improve links between NHS services and social care in the region, where spending demands are especially acute (Bounds and Neville, 2014). Local leaders hope that this may dramatically improve health outcomes over time.

Greater Manchester is prepared for the need for ongoing adaptations if the city region is to achieve its longer term devolution ambitions. GMCA acknowledges the need for more direct accountability, alongside more political and executive capacity to capitalise on new opportunities. Although both political and fiscal devolution are the goals of leaders, there is a clear desire to address these two challenges separately, given the greater legislative hurdles that would need to be overcome to change the tax and financial arrangements (Ashton, 2014).

Conclusion

Greater Manchester's generation of talented and committed leaders is, after more than a decade of groundwork, now being accompanied by significant improvements to the institutional design and delivery capacity of the functional urban area. The city region has made decisive steps to creating a virtuous circle whereby it is incentivised to be successful and allowed to use the dividend of success for another cycle of investment.

STOCKHOLM

Stockholm is one of the European Union's wealthiest and most successful metropolitan areas. It is a leader in quality of life and an innovative and highly productive urban economy with strengths in ICT, biotech, clean tech and pharmaceuticals among others. The city has benefited from sound national framework conditions and a consensus model of local leadership.

Until recently, leadership arrangements for economic development no longer reflected the size and diversity of Stockholm's functional economic region (OECD, 2006). Mechanisms for economic development had been siloed and weakly co-ordinated, a particular concern given the pressures being placed on housing and social cohesion at the metropolitan scale. Stockholm's leadership innovation has been to work around its superseded governance by successfully re-organising the six county region around a common message. The major vehicle for co-operation, Stockholm Business Region, is principally led by public sector representatives who strongly overlap in their preferred development approach for the city.

Stockholm's initial framework advantages

Stockholm achieved its current strong position partly thanks to excellent initial framework conditions; congruent boundaries, fiscal autonomy and robust spatial planning systems. The Swedish constitution guarantees municipal monopoly over planning, meaning that Stockholm (and every other city in Sweden) has the final word on how it wants to use its urban space. This has allowed the city to pursue locally beneficial developments, insulating it from the political cycles of central government.

Stockholm County council was united with the City of Stockholm in 1971 and took over the responsibility for healthcare and public transportation. For the following generation the County Council was broadly congruent with the functional economic area. The Swedish constitution allowed Stockholm's elected council (rather than the government provincial administrative board) to assume regional planning powers. This resulted in a close alignment of city and regional policy, even though Regional Development Plans were not binding for municipalities, which have their own resources for labour market and commuting policy. Over the years, the Council has assumed more than just planning functions, and has extended into economic strategy for the region, providing a framework that municipalities in the Stockholm region have largely adhered to, despite the absence of any formal obligation to do so. A consensus-driven style of regional politics has prevailed, where municipalities and councils consult each other with a view to working together.

Stockholm also possesses relative fiscal independence. Like all cities in Sweden, it is free to levy income tax within thresholds determined by the state, meaning that it generates more than three quarters of its own revenue (all the more necessary considering that municipalities must discharge social services on behalf of the state, with some flexibility to tailor to local

circumstances). While Stockholm must forfeit some share of its income to fund regional equalisation policies, it maintains an almost exceptional funding arrangement by global standards. Its income tax is, however, subject to cyclical downturns – more than property taxes for instance, which Swedish cities do not levy – which can impact on the predictability of Stockholm's investment framework.

Stockholm's spatial planning has also yielded longer-term development advantages. The city pursued expansion along public transport axes in self-contained but connected neighbourhoods, which created a dense system of transport-oriented growth, surrounded by 'wedges' of green undeveloped land. As a result, only 47% of Stockholm's municipality is built-up. This has contributed to the city's quality of life brand which is leveraged for economic development.

Broadening the leadership dimension

After decades of fairly consistent economic growth, the emergence of new regional clusters, and steady in-migration, Stockholm's functional labour market has not only spilled over into Uppsala County, but also across the five-county area now known as **Stockholm-Mälars region**. Development now covers a geographical area which is not congruent with any government boundary. County-level government does exist, but outside Stockholm it has very limited regional planning powers, and lacks room to manoeuvre between powerful municipalities and the state. This has made it more complex for Stockholm to manage and negotiate its urgent need for housing and transport system expansion and to achieve region-wide economies of scale. The challenge is further complicated by the fact that different national agencies (such as the national traffic authority) use regional definitions which are not congruent with administrative boundaries.

Early signs of inter-municipal co-operation

Local authorities in the region have come up with innovative and often ad-hoc solutions to make up for the lack of government across the growing metropolitan area. Swedish law allows for different modes of inter-municipal co-operation which have become quite common over the years. This partially explains why despite any legal compulsion to do so, municipalities and counties tend to work by consensus. Even though County-level regional plans do not have to be followed by municipalities, they are more often than not taken into account since plans were drawn up with mutual gain and consensus in mind.

Metropolitan co-operation began to deepen in 1988, when the local authorities around Lake Mälaren, including Stockholm, came together to co-ordinate their regional and urban planning to prevent pollution of this important water source. In 1992, the organisation expanded its remit to cover regional strategic planning at a metropolitan level. The organisation came to be known as the **Council for the Stockholm-Mälars region**. It has no official status in terms of planning or economic development, but remains a platform for local authorities to discuss, co-ordinate and build a consensus on regional issues. The Council for Stockholm-Mälars region cannot issue any legally binding decisions, but like Stockholm's County Council regional plans, their concepts are taken seriously by national and local leaders.

Stockholm is therefore a positive example of ad-hoc collaboration among local authorities that vary significantly in size and economic character. The concept of the Stockholm-Mälars region has gained sufficient traction for it to be included as a planning-unit in Stockholm's Vision 2030.

There does however remain strong political disagreement as to whether regions should be reinforced, or municipalities given more power.

In 2006, the City of Stockholm launched a comprehensive project involving all departments and external partners to prepare for future growth, entitled *Vision Stockholm 2030*. Since the new leadership took over after the general election in 2014, this project is under review.

Organising around a new message

Stockholm's economic development leadership has grown in tandem with new branding initiatives over the past two decades. Until the late 1990s, the city's marketing efforts had been mostly domestic in focus. In 1997, Business Arena Stockholm, a company owned by the City and neighbouring municipalities was established to coordinate inward investment to the region, and in 2002, the Stockholm Visitors Board was established to co-ordinate the marketing to visitors more effectively (Pachou and Metaxas, 2013)..

The decision to position Stockholm in a new way took place in 2003, in response to the challenges of the dot-com crash and the problems face by of Ericsson, the telecoms multinational. Politicians in the City of Stockholm, under the leadership of the Mayor Annika Billström, argued that the city needed a more compelling brand to compete globally. The new CEO of Stockholm Business Region, the former city CEO Jörgen Kleist engaged Julian Stubbs, a British brand expert, to help develop the brand. After two years of consultation and planning, including with major firms and institutions such as the Karolinska Institute, the result – **Stockholm: The Capital of Scandinavia** - was launched in 2005 (Gascó-Hernandez and Torres-Coronas, 2009). The brand – created in English - intended to capture the city's size and relevance, its cultural depth and openness, and its sustainability, for an international market.

An enhanced leadership coalition

Stockholm's 'Capital of Scandinavia' brand has been the primary vehicle for uniting the region behind a common message and strategy, and filling the regional leadership deficit. Inward investment body Business Arena Stockholm was re-integrated into the city's economic development agency, in order to create an environment for political leaders to engage more effectively with business leaders. This decision reflected a growing acknowledgement that the City of Stockholm's economic development activities needed to operate regionally despite the scale of ownership.

Under the leadership of the mayor of Stockholm, in 2006 43 municipalities in the region were invited to join a partnership dedicated to international branding – called the **Stockholm Business Alliance**. This proposal stemmed from a growing recognition in the region that Stockholm's economic profile depended on remaining competitive in investment, worker, visitor and student markets. Initially 30 municipalities agreed to join the alliance in order to create a unified platform for branding and hosting incoming firms.

One striking aspect of the agreement was that many participating municipalities were medium-sized cities in the wider region (e.g. Uppsala), with their own established identities and history of manufacturing. City leaders such as Mayor Billström and Vice Mayor Mikael Söderlund, at that time in opposition, expressed their pleasant surprise that there was so much

interest among the municipalities to extend enterprise policy cooperation. The Alliance has become the natural arena for cooperation between municipalities and has been very fruitful in the post-2008 period, especially in the areas of international promotion, marketing, and developing service sector industries. Municipalities have come to align strongly in their development approaches, allowing more proactive policy to move forward quickly. Subsequent Mayors of the City of Stockholm have been influential advocates for the Alliance.

The Alliance is the leadership platform that supports the agency known as the **Stockholm Business Region**. The City Council co-chairs strategic meetings at least once a year with partner municipalities, and an Advisory Board of approximately 20 senior officials provides preparatory, monitoring and networking services. Members of the Advisory Board include the mayor and vice mayor, and representatives of hotel groups, museums and ferry companies, among others. In order to keep the strategic focus of the Advisory Board, its size and role is currently under review.

The Stockholm Business Region has become the major driver for municipal co-operation, partly because it possesses cross-party leadership. All political parties are represented on its Board, and there has been more or less broad consensus on the decisions made. In 2007, members agreed to the goal of becoming the leading region in Northern Europe with the best system for attracting foreign investment. 53 municipalities now participate, contributing a set sum per inhabitant to the joint budget for the alliance. Approximately 70 employees

Within the Stockholm Business Region Group, a number of subsidiaries now operate:

- *Stockholm Visitors Board (SVB)*. The SVB markets Stockholm as a tourist destination through marketing and PR activity in target markets such as Europe, USA and Asia, as well as working to attract international events, meetings and cruises.
- *Stockholm Business Region Development*. The SBRD is a one-stop shop for potential investors, companies and entrepreneurs. It is responsible for delivering the regional innovation strategy in tandem with Stockholm County administrative board, academia and other members of the public sector.

Stronger engagement with private sector

Stockholm has required political leadership to strengthen the dialogue with the private sector in the region. The private sector (and representative groups such as the Chamber of Commerce) does not have a direct shaping role for local development policy, and larger companies tend to engage with the City authorities on an individual and ad-hoc basis.

One major mechanism for business agenda-setting is the **Stockholmsmötet** (Stockholm meeting). Founded in 2004, the annual event provides an opportunity for 101 politicians from the City of Stockholm to meet 101 senior leaders of the business community, in order to discuss topical issues for local economic competitiveness such as infrastructure and skills. The meeting is hosted by the Mayor of Stockholm, the Chamber of Commerce Chairman and Stockholm Business Region. It has become an established institution among the elected representatives of the City Council, senior officials, business leaders, and representatives at the Chamber of Commerce. Recently the meeting has been broadened to include municipal leaders from across the 53 municipalities, and major companies. In 2015, the 300 participant meeting focused on the city's international role and key partners.

A series of cluster bodies and initiatives, involving local firms, universities and regional development bodies, have begun to emerge over the past decade and have achieved increased co-operation on issues of skills competences and marketing. Stockholm has invested heavily in R&D, IT and key science clusters, encouraging synergies between its 21 universities and university colleges, research institutions and leading global firms (including Ericsson).

Stockholm IT Region has functioned as a network for local government, business and academia to address computer skill shortages. Its chairman is Vice CEO of the City of Stockholm, while other members of its steering committee include the CEO of SBRD, senior company representatives (e.g. IBM, Microsoft, Intel), and leaders in Stockholm County Council. The public-private leadership model has helped improve the city's promotion of its sector strengths, and identify skills gaps (Stockholm IT Region, 2012a)..

Innovation for inclusion

Strong leadership at the City of Stockholm has fostered effective **public private partnerships for the green economy** that combine the capacity of multi-national companies and local research knowledge. Stockholm is an example of stable pooling of city, county and national funding to supply the initial investment to attract private sector finance. Examples include in the eco-district Hammarby Sjöstad, the Stockholm Innovation and Growth incubator (STING) in Kista, and the development of the Stockholm Royal Seaport (LSE, 2013). In each case, universities are active in the model of knowledge-based co-operation that is unfolding.

Kista Science City has emerged as Sweden's largest corporate centre and a highly dynamic ICT cluster. 65,000 employees work in Kista, including up to 25,000 employees in ICT, many for multinational companies such as Ericsson, IBM and Nokia. The district Kista also hosts a part of Stockholm University and the KTH School of Information and Communication Technology, which lead world-class research in multimedia, broadband, wireless and other high tech activities. The network of public and private institutions and incubators was essential to its success from 2000 onwards. The City Planning Administration agency combined with the business sector and academia to create a common vision for the area (OECD, 2013; Stockholm IT Region 2012b).

Public private foundations commissioned by companies, academia and the municipalities play an important role in driving cluster development. For most of the last decade, the **Electrum Foundation** has been the catalyst of Kista's development, marketing the district as a business location and a Science City. But the City has consistently supported its evolution, formulated its Vision Jarva 2030 document to plan for its growth across a wider geographical area and encompass social goals such as access to opportunity for locally disadvantaged populations. The bundling of policies has given Kista significant public funds (van Winden et al, 2014). **Stockholm Innovation & Growth (STING)** is a subsidiary of the Electrum foundation and was founded in Kista in 2002 in order to create high-growth firms. The company has participated in the start-up of dozens of companies oriented to the international market. Its work has been complemented by a business angel network and seed capital fund STING Capital.

Most recently, the **regional innovation strategy** is a key element of Stockholm's leadership mission, raising awareness of the impact of innovation on Stockholm's future economy and the nature of international competition. In 2011, a €2.3 million project was coordinated by the Stockholm County Administrative Board, and 25% co-funded by the County Council and 75% by

the National Agency for Innovation Systems, Vinnova. The project outlined a number of areas where Stockholm could enhance its innovation systems, encapsulated in the subsequent ‘**2025 Stockholm**’ document.

The Action plan for implementing the strategy was launched in late 2013, consisting of 40 activities to be co-ordinated by partners within the regional innovation platform Innovation Stockholm. Partners include KTH Royal Institute of Technology, Stockholm University and Stockholm Business Region. Another important leadership actor is the County Administrative Board, a national government body with responsibilities for local economic growth and development, and well-functioning labour markets. It is overseeing part of the Regional Innovation Strategy, namely the widening of sources of capital (European Commission, 2012). This indicates the close engagement from national government in a consensus model of leadership.

Private sector actors are also becoming progressively more involved in urban planning. Having played a marginal role in the planning process in the past, private developers now consult and lead projects in city development as Stockholm responds to intense population and housing growth pressures. The City has become more adept at listening to and dealing with business concerns in the planning process. In addition, because city planning departments (e.g. the Development Office, the Building Office) are still siloed, it has often fallen upon the private sector to present more wide-ranging visions of projects. One important real estate leadership network that has emerged is **Stockholm Business Arena**, a meeting place for executives and decision makers in the property and construction sector. It operates under the auspices of the leading trade magazine *Fastighetsnytt*, through which an annual two-day event takes place. The Business Arena assembles Swedish and international property owners and investors, as well as planners and politicians, to negotiate contracts.

Conclusion

In the last five years, Stockholm’s institutional leaders have forged an important consensus around a proactive and confident competitive agenda. This outward-facing activity is underpinned by an explicit inter-municipal leadership alliance and the tacit support of the business community for the city’s brand and investment attraction. At the same time, Stockholm’s innovation systems have become more advanced thanks to sustained firm involvement and the multi-party collaboration that supports it. Stockholm’s model illustrates how municipal leaders can put aside differences and work together with a common cause.

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