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THE ROLE OF CITIES IN CREATING
COMPETITIVE ADVANTAGES

Edited by
Marzenna Anna Weresa
Arkadiusz Michał Kowalski



SGH

WORLD ECONOMY RESEARCH INSTITUTE
SGH WARSAW SCHOOL OF ECONOMICS

The Competitiveness of Cities: Components, Meaning and Determinants

Magdalena Kachniewska, Arkadiusz Michał Kowalski, Ewelina Szczech-Pietkiewicz

Introduction

Competitiveness between regions and cities has not until recently been a component of fundamental research issues in economics or even in economic geography. The competitiveness of territorial units is a fairly new research category, which has grown alongside international economic dependencies. Analyses of the location processes and decisions in economies operating under changed conditions (e.g., cluster formation, urban sprawl, the construction of megacities and the emergence of a global network of cities) introduced these issues to an academic and political debate concerning the sources of competitiveness in regional and local dimensions. However, due to the relatively short span of the debate, no uniform definition or cohesive understanding of the competitiveness of a region or city has been established. This study aims to take into account the following issues concerning this matter:

- the definition of urban competitiveness;
- defining the determinants of city competitiveness, as well as their typology, based on specific features of urban competitiveness;
- defining specific features of competitiveness at the urban level, characterizing the competitiveness of the mezo-economic level.

The research carried out in these stages constitutes the basis for clarifying particular elements and trends of urban competitiveness (e.g., relations with urban tourism and the smart city model).

The Definition of City Competitiveness

Competitiveness is one of the most important research concepts in modern economics. Intuitively, this category is related to the level of economic development,

as well as its social structure. The concept of competitiveness is a theoretical term, which according to M. Goryni [2009, pp. 49–50] means that "it is not a sign of any particular thing or person, nor anything that reminds us of any entity or person, therefore it does not have any referents that can be directly identified". In addition, the concept of competitiveness is a multidimensional phenomenon, as evidenced by a large number of attempts to define this concept in literature, as well as micro, mezo, macro and mega economic analysis levels. While the term "competitiveness" is subject to many definitions, they usually refer to the level of the enterprise, or to regional/national economy. There are, however, very few written definitions directly referring to urban competitiveness. An overview of the most important definitions has been presented in Table 10.1.

Table 10.1. An overview of the definitions of urban competitiveness

Author	The definition of urban competitiveness	Key components
Storper, 1997, p. 264.	Urban competitiveness is the urban economy's ability to attract and maintain enterprises with stable or growing market shares, while maintaining or increasing the participants' standard of living. The competitiveness of cities is not based solely on the income of companies, but also on the income earned by the residents.	Attracting and maintaining companies, as well as high income and living standards of residents.
Webster, Muller, 2000, p. 1.	Urban competitiveness refers to the ability of the urban region to produce and market products (goods and services) that are characterized by high competitiveness (not necessarily the lowest price) compared to similar products from other urban regions. The production of goods and services characterized by high value in relation to prices supports the exports of the urban economy, makes it more competitive, and directly increases the quality of life of the inhabitants of the urban region.	Competitiveness of local products (goods and services), contributing to improving the quality of life of residents.
Kostiainen, 2002	The ability to attract information, technology, capital, culture, people and organizations that are important for the region and with it, the ability to maintain and improve the quality of life and a high standard of living, as well as the ability to create an innovative operating environment in which enterprises can develop their competitiveness.	The ability to attract factors of production and the creation of a local innovative environment (<i>innovative milieu</i>).
Pengfei, Qinghu, 2006, p. 1.	Urban competitiveness primarily refers to the city's ability to create wealth more quickly using less resources than other cities and to ensure prosperity in the process of competition and development.	Creating wealth, efficiently utilizing resources and ensuring well-being.
Sinkienė, 2009, p. 5.	The ability of the city's population to maintain a high competitive position in a specific area (of the market) among other cities of the same type and pursuing similar goals, by saving resources and improving the well-being of residents as a result of managing external and internal factors.	High management efficiency leading to competitiveness on a given market and to ensuring prosperity.
Kwon, Kim, Oh, 2012, p. 178.	Urban competitiveness refers to interrelations among causes (determinants), competition process (rivalry between economic units) and its consequences (effects at the micro- and macroeconomic level). A city's competitiveness is usually identified by a high level of its productivity, success on the external market and an increase in local revenues and employment.	High productivity and the ability to expand to external markets, leading to creating work places and an increase in wages.

Author	The definition of urban competitiveness	Key components
Ni, Kresl, 2014, p. 1.	Urban competitiveness is the ability to attract production factors, take advantage of the natural environment, develop industries, manufacture goods, provide services, conquer the market and create wealth in a quick and effective manner, as well as to provide well-being of citizens in the process of competition, co-operation and development, in comparison to other cities.	Attracting and efficiently utilizing production factors that lead to the wealth and well-being of the residents.

Source: Own study.

Most of the urban competitiveness definitions presented in Table 10.1 focus on two components:

- company operations located in the urban region and various factors that attract them, affect their productivity or competitive edge compared to external entities, which is reflected in growing market shares;
- ensuring a high standard of living for the population, which according to M.E. Porter [2008, p. 176] is the primary goal of competitiveness.

The logics behind competitiveness is the reason for putting an emphasis on the two key components of the definition of urban competitiveness identified above, because it maintains that *competitive ability* is distinguished from the *competitive position*. Competitive ability is also called factor competitiveness, as it is assessed on the basis of many factors describing the size, structure and use of production resources, the socio-economic system, economic policy and the economic environment. All of these elements determine the possibilities of achieving a competitive position by a given economy (urban, regional or national). A competitive position is in turn also called result competitiveness, because it indicates the level of achieved socio-economic development and is reflected primarily in the income level that determines the standard of living.

Most of the definitions of city competitiveness identified in Table 10.1 refer (both directly and indirectly) to productivity as a key element for achieving a high competitive position. For example, the definition given by Pengfei, Qinghu [2006] emphasizes the importance of a city's ability to create wealth more rapidly while using less resources than other cities. Kwon, Kim, Oh [2012] define city competitiveness as a high level of productiveness, while Ni, Kresl [2014] emphasize an effective utilization of production factors. Such an approach has a deep justification in the theoretical foundations of the concept of competitiveness, the central element of which is productivity, a key determinant of long-term prosperity [Porter, 2008, p. 176]. A competitive city is therefore not only an aggregate of competitive business entities that are able to maximize profits, but it is also a place in which the standard of living is maintained in a sustainable manner [Szczech-Pietkiewicz, 2013, p. 36].

An overview of the definition of urban competitiveness allows for an identification of features that differentiate the approaches of individual researchers to this concept. Some definitions take into account the investment attractiveness aspect of an urban region, indicating the ability to attract:

- enterprises with stable or growing market shares [Storper, 1997];
- information, technology, capital, culture, people and organizations [Kostiainen, 2002];
- production factors [Ni, Kresl, 2014].

It is worth mentioning that only Kostiainen's definition [2002] directly refers to the importance of technology in shaping urban competitiveness. It is also applied to the concept of *innovative milieu*, according to which innovative enterprises are not independent or isolated from the environment in which they operate, but are its product [Aydalot, Keeble, 1988]. An innovative environment is a platform for interactions between business, scientific and research entities located in a given area, which favors the processes of learning and implementing innovations [Maillat, 2002, p. 11].

Another element included in various definitions of urban economy competitiveness is the reference to its competitive position on the market. Webster and Muller [2000] describe this as the ability to produce and market products of high competitiveness, while stressing the importance of supporting exports of the urban economy. Sinkiené [2009] indicates maintaining a high competitive position in a given area (market) among other cities of the same type as an important aspect of urban competitiveness; Kim, Oh [2012] – attributes it to success on the external market, while Ni, Kresl [2014] – attains that the focal point is conquering the market.

An overview of the definitions of urban competitiveness found in books and an analysis of this phenomenon made it possible to formulate our own definition. In this study, urban competitiveness signifies the ability of the city's economy to attract production factors and achieve productivity growth in the process of their management, which results in a strong competitive position of local enterprises on the domestic and international market, contributing to a high level of income and the living standards of residents.

Determinants of City Competitiveness

Competitiveness is not limited to companies, contrary to Krugman's thesis [1994] – it also concerns territorial systems (states, regions, cities, municipalities), which have thus become increasingly competitive participants of the market. According to the President of the European Committee of the Regions, Luc Van den Brande, it is

"regions and cities that ensure Europe's development and strengthen its coherence and competitiveness" because "innovation and creativity are created in regions and cities, as is employment and growth, solidarity and social cohesion. Cities and regions are what strengthens Europe" [CEMR, 2009, p. 2]. Territorial systems "compete (...) for capital, especially innovative capital, which has significant multiplier effects, (...) creating new, high-skilled and highly-paid jobs" [Gorzelać, Jałowicki, 2000]. Unfortunately, the scarcity of research on the competitiveness of cities had led to the search for analogy in terms of competitiveness on a regional level. This approach is all the more justified since the definition of competitiveness in the urban dimension is usually similar in substance to the descriptions of regional competitiveness. Competitiveness factors are similar in both cases, although it is worth noting that in many studies the effects (results) i.e., the manifestations of competitiveness of cities/regions are identified with their determinants.

Numerous definitions of competitiveness in the dimension of territorial systems [Begg, 1999; Porter, 1990; Storper, 1997] emphasize two aspects of competitiveness of cities/regions: the activity of companies (economic dimension) and the standard of living of urban residents (social dimension). The connection between these dimensions is obvious: economic conditions translate directly into living conditions (including the quality of life), and the standard of living determines even the entrepreneurship and productivity of the inhabitants. This approach is also widespread in the analysis of competing cities' rankings, in which economic indicators and measures of the quality of life of residents are treated as equivalent elements of the assessment.

The authority of the central government given to local and regional self-governments enables them to conduct their own economic policy, which is largely autonomous with respect to national politics. Regions are much better adapted to establishing local ties between enterprises and research and development centers, and benefit from good practices, while identifying entities with which they can cooperate effectively [Borowiec, 2005, p. 42]. They are entities which, using the potential of their resources, develop independently and create a system of interregional relations that concerns the development of the whole country [Barcik, 2008, p. 87]. In addition, by shaping living conditions and social development, they determine the innovation and productivity of residents.

Regional competitiveness is a multi-faceted phenomenon, as various factors simultaneously affect different levels of development. In the most general sense, the creativity of spatial systems is defined as the ability to adapt to changing conditions, in terms of maintaining or improving their position in the competition between regions [Klasik, Kuźnik, 2001]. The general level of socio-economic development of a given region depends on the level of development of its partial potentials, including

economic, social, cultural, environmental, intellectual or innovative capabilities [Falkowski, 2006, p. 19].

This approach to the sources of a city's competitiveness is the result of the assumption that productivity is not the goal of competition policy, but a means to raise its standards. In order to assess the aspects of a competitive city, it is not enough to include work in the area of entrepreneurship, innovation and efficiency of market mechanisms, that serves to increase the productivity and profitability of business operations [Bossak, Bieńkowski, 2004, p. 20]. In order to identify the concept of a region's competitiveness, it is necessary to take into account such elements as: the level of socio-economic development, its dynamics and directions, as well as rational and effective use and development of endogenous factors. The basic factors that determine the level of competitiveness of the spatial layout, as indicated by Falkowski [2006, pp. 19–20] are: geographical location and environmental resources, the structure of the regional economy, human capital, the level of innovation of the economy, the state of technical and social infrastructure, the ability to create co-operation networks with domestic and foreign partners, as well as research and development work.

Similarly, Huggins and Davies [2006, p. 1] maintain that a region's competitiveness depends on its ability to anticipate and adapt effectively to both external and internal (social and economic) challenges, while being able to provide new economic opportunities (including the possibility of high-quality work). Kuciński [1998, p. 19] claims that regions are competitive when they maintain economic, social and technical conditions that enable and enforce a high quality of production, company efficiency, an implementation of new technologies, as well as an increase in work efficiency and adeptness in introducing products to the market.

In today's economy, according to Gorzelak and Jałowiecki [1998, p. 29], competitive advantage is obtained by regions that: 1) are easily accessible through fast, reliable and flexible means of transport; 2) have a rich scientific and research base; 3) have labor resources with high qualifications; 4) offer favorable living conditions (including a rich cultural environment); 5) have a well-developed background of business-related services. Important factors of regional competitiveness also include: modernity and diversity of the regional economy, quality of spatial development (expressed in broadly understood spatial order and developed infrastructure), institutions and social capital, the social organization of a given region [Sokołowicz, 2008, p. 11].

The dual (socio-economic) approach to the issue of competitiveness of territorial systems (cities, regions) has also been adopted by the European Commission [CEMR, 2009] and OECD [2006]. According to this concept, the collectivity of even highly competitive companies does not determine the competitive advantage of the city, unless it is accompanied by a maintained and upgraded standard of living. In line with

this approach, the factors recognized by the European Commission as significant for regional competitiveness are divided into three groups, each corresponding to the universally accepted benefits of the agglomeration. [Martin, 2003]:

- infrastructure and accessibility (both external and internal) of a city, including: car and railway road systems, air transport, technological infrastructure and knowledge infrastructure (educational units), the quality of the location i.e., housing, natural surroundings, cultural institutions, the level of security;
- resources and people, influenced by demographic trends (migrations of qualified employees, diversity) and the availability of highly qualified employees;
- business environment, including: organizational culture and business culture, entry barriers, risk approaching methods, the level of industry concentration, internationalization and innovation (measured e.g., by the number of patents, level of R&D expenditure, number of scientific research units, the level of research commercialization), the quality of the institutional environment, the availability of capital, the level of specialization and the nature of competition.

It is worth noting that these factors are linked: an efficient and extensive system of transport solutions can, for example, affect the reduction of social exclusion, innovativeness of enterprises is a derivative of the quality of human capital, and at the same time employment policy determines the quality of life and work.

According to the previous typology, in each of the three above-mentioned groups of factors, one can indicate those that favor the effective operation of companies and those that affect the raising of living standards. The first group will include labor costs and non-payroll costs of running a business as well as transport costs, tax policy, the quality of legal regulations related to running a business and a general climate for entrepreneurship. Life quality is shaped by the system of transport and communication solutions (geographic, economic, information availability), housing conditions, the level of every type of health care and education, the quality of the natural environment (including air purity, availability of good quality drinking water, the presence of land and greenery) and finally through the overall attractiveness of life, which includes the cultural, recreational beauty of the landscape (natural elements of the environment, city architecture) and other amenities.

Literature also provides a slightly different division of competitiveness factors, distinguishing aspects related to the activity of enterprises and – clearly identified – factors characterizing territorial systems (cities, regions). According to this division, the productivity of enterprises and their employment policy affecting the quality of life in the city constitute the first pillar of competitiveness (micro level), and city policies related to increasing their attractiveness – the second pillar (the mezo level). It seems, however, that this method of division (competition between companies operating

in the analyzed area and competition between the territorial units themselves) is currently too limited. On the one hand, it neglects the issue of synergy and connectivity, and on the other hand, it "relieves" entrepreneurs from the responsibility for the state of competitiveness of the city, and local authorities from the need to maintain an entrepreneurial attitude, which is nowadays rarely expected just from business units. Meanwhile, according to the OECD approach, cities – similarly to enterprises – compete to obtain and maintain mobile production factors, including high quality of work and capital by maintaining an optimal ratio of location factors (green areas, affordable residential areas, social infrastructure systems etc.). This means that city becomes a member of the economy, often even in opposition to local entrepreneurs, in the event that their expansion threatens preservation of the optimal proportion of location factors. Gorzelak and Jałowiecki directly state that cities have ceased to be subsidizing entities, but have rather become enterprise units [2000, p. 16].

The entrepreneurial function of cities is to some extent the result of the agglomeration process, which is mentioned, among others, by Porter [1990; 1996]. Expanded infrastructure, communication, access to production factors and markets favor the creation of a pool of benefits, defined as cluster benefits (a concentration of knowledge, institutions, stimulating the impact of direct competition, existence of specialized demand). Porter also points out that clusters with international successes are usually located in cities, which means that the significance of regional/local authorities may in some cases be greater than that of state authorities, especially in the area of creating qualifications and impacting development and innovation indicators, which remain regional – even in the era of globalization. [Porter, 1990, p. 622].

The role and importance of cities for the implementation of sustainable development policy (on a regional, national and international level) is also systematically increasing. This approach assumes a long-term and strategic view (including the perspective of demographic changes and changes in the natural environment, the issue of risk, benefits and scale threats, etc.). Cities are perceived as the main perpetrators of economic, social and ecological imbalances, but they can also influence their restoration. The so-called Leipzig Charter, adopted in 2007 together with the territorial agenda, devotes a lot of attention to this issue, indicating a multidimensional character of urban development activities, in accordance with the 3xP concept (*people, profit, planet*), including economic growth, social balance and environmental protection, whose preservation in turn requires a proper approach to the issue of cultural development, health protection and the effectiveness of institutions.

When considering the determinants of a city's competitiveness, it is necessary to mention the issues of creative industries and aesthetics of cities, which in recent years have effectively ceased to be strictly visual, becoming one of the main factors

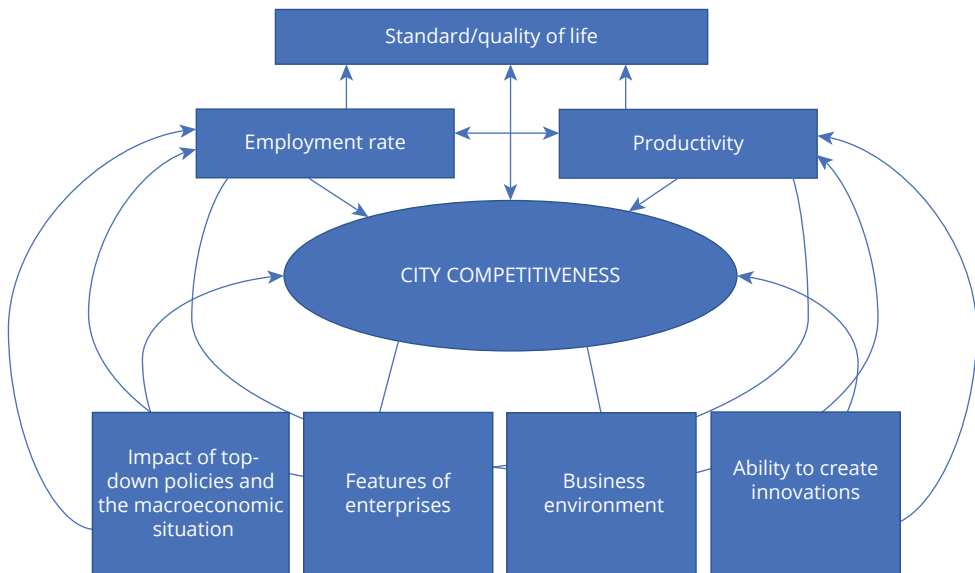
conditioning the stimulation of the competitiveness of territorial systems. Cultural values and art (including city architecture) have undoubtedly had a significant impact on the elements of social development (gentrification, social inclusion), and as a result indirectly shape the economic potential and support the competitiveness of the entire spatial layout. According to the innovative, though often criticized concept of the creative class of R. Florida [2002], a city's competitiveness is mainly the result of its ability to attract representatives of the creative class. Florida's concept is related to the concept of creative industries that have been developing since the end of the twentieth century, as well as all of the activities that stemmed from individual creativity and talent, and which have the potential to create wealth and employment through the production and use of intellectual property rights. Florida focuses mainly on people, representatives of the creative class (doctors, lawyers, high-level managers, politicians, artists, representatives of the new technologies industry and officials responsible for developing strategic models that aim to design changes in the future) assuming that, despite diverse employment types, creative people need similar incentives that stimulate this factor in their daily work. This includes aesthetic experiences, contact with art and culture, exchanging ideas with other people, the ability to move freely and express their observations. This is the reason for such a concept of the development of cities and local communities, according to which the location or infrastructure does not determine the long-term and effective development of a given place to the extent that its social profile does. For the development of creativity understood in this way, it is necessary to follow the so-called 3xT rule (talent, technology, tolerance).

Florida's concept, although impressive, did not stand the test of time. It overlooked the existence and needs of a less creative part of society. In addition, Florida focused exclusively on affecting and indulging an economic nature, and ignored the fact that only a few "creative" people will benefit from urban development. The need for favorable living conditions for families and older people were not taken into consideration, even though they are becoming increasingly important in the silvering economy. Practice has also shown that Sohoization (a phrase that originates from the poor Soho district in New York, which has become the iconic district of models and luxury lofts) results in deepening social inequality and the exclusion of those who are poor or are immigrants, just as improperly run gentrification forces less prosperous and less educated residents into remote city periphery, increasing their social and economic isolation. Time has shown that Florida's concept, while open to diversity (including cultural and national), may paradoxically lead to an increased isolation of certain social groups. The aforementioned Leipzig Chart refers to the complexity of these issues, presenting threats resulting from demographic changes, increasing social exclusion and housing problems. Florida's concept of a creative city has, however, made

an important contribution to the development of the science of the city competitiveness (also present in the Leipzig Charter) favoring the creation of centers of knowledge and innovation.

There is also no doubt that a creative city is a center that attracts economic activity, especially in the case of enterprises whose development requires the availability of highly qualified managerial staff and representatives of new professions. The conditions that cities create for running a business are an important factor determining the competitiveness of companies. If the conditions are unfavorable, they lead to the collapse of the company or to its relocation to more attractive places – in both cases, the given territorial system/city suffers a certain physical loss (available jobs): economic and on its image. On the other hand, companies with a significant freedom of location settle in places where they can find optimal conditions, and companies with particularly high innovation potential – creating high-quality jobs and generating significant income resulting from "new rent" – have particularly high requirements in this respect [Gorzelał, Jałowicki, 2000].

Figure 10.1. I. Begg's city competitiveness model



Source: I. Begg [1999, p. 802].

The need to take advantage of opportunities while reducing hazards is also emphasized by Begg [1999] who analyzes factors affecting the competitiveness of the city. Unlike most studies devoted to regions, the Begg's model refers directly to urban areas, and also indicates the complexity of mutual relations between the mentioned

factors (Table 10.1). Begg accentuates the fact that big cities remain the strongest links in the spatial layout, as centers of scientific and academic life, the headquarters of financial institutions and specialized services.

The dynamic nature of the Begg's model is the result of numerous interdependencies between individual determinants of competitiveness. What is more, this dynamic means that some factors can be mutually contradictory, and the relationships between them are subject to changes over time. It is important to remember that a city's competitiveness while retaining the mezeconomic character is strongly dependent on the macro-level conditions (legal regulations, political and social environment, some economic aspects e.g., monetary policy) and micro (organizations' activities, including of business entities).

The model draws attention to the equal treatment of the level of employment and productivity for the city's competitiveness. In this respect, Begg has a very European approach (in contrast to the American stance stressing the importance of productivity), which indicates the linking of economic issues and quality of life, often emphasized in the EU's documents [e.g., the pyramid of competitiveness, European Commission, 1997]. As has been reiterated several times, these indicators (employment and productivity) are inextricably linked, because cities with the most favorable living conditions (characterized by the natural environment, social infrastructure, or the broadly-understood attractiveness of life) are a magnet for potential residents, and thus increase and improve the quality of labor supply. As a result, companies starting operations in such cities gain access to better labor markets, which influences their effectiveness.

A more developed model of the city's competitiveness has also been developed on the basis of the Begg model (Figure 10.2). Sinkienė [2009] used it to assess the competitiveness of Lithuanian cities, taking as a starting point the concept of an open city. The proposed value of the model is the accentuation of endogenous factors (outlays), which as a result of participation in internal processes allow to achieve a certain level of results, supplying the next cycle of the city structure similarly to primary expenditures. The Sinkienė model, to a certain extent, resolves doubts about the strict division into determinants and results of urban processes in the assumption that each subsequent process cycle takes place at a higher level than the previous one (not just the circular system, but also the spiral system).

The matter of diseconomies of scale remains unresolved, as it may lead in large metropolises to the breakdown of such a defined cycle through a significant reduction in the quality of life (congestion, air pollution, noise, excessive pace of life) and even economic problems (too low absorption of the internal market, strong price increase, rising labor costs, etc.). A division into internal and external factors is

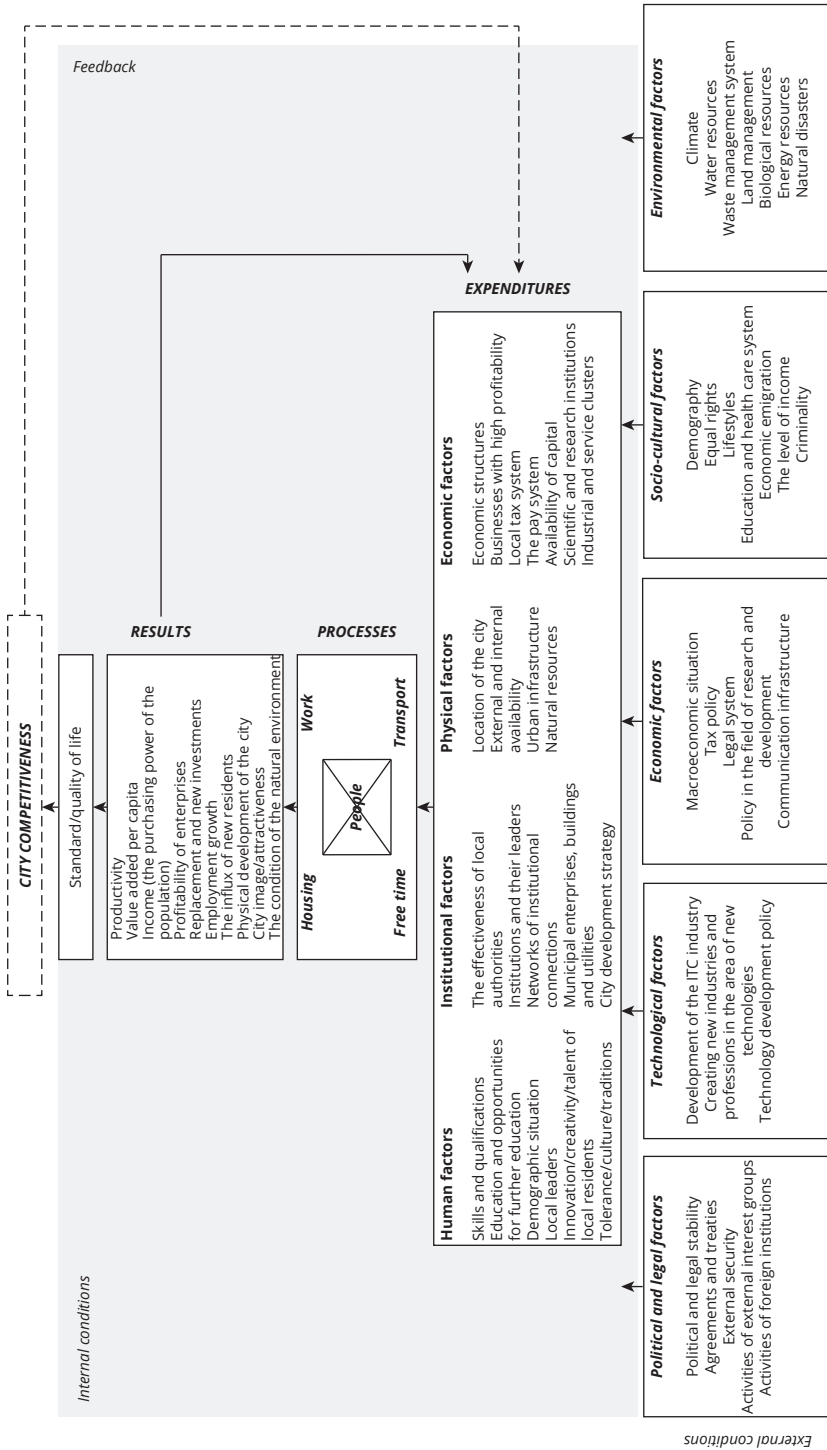
not entirely convincing. Many of the latter (e.g., technological or environmental factors) may arise or develop as a result of internal processes. Ecological dysfunctions are, to a large extent, attributed to urban organisms and it is difficult to recognize them as an external factor.

Despite the aforementioned doubts, the open city model should be considered an interesting attempt to analyze the factors of urban competitiveness – even if the assignment of particular determinants to a group of factors seems to be debatable, it is important to diagnose them and consider their role in creating a city's competitive potential.

When analyzing the factors of city competitiveness, it is also worth noting how politics (at the macro level) influences the issue of creating conditions that favor the development potential of cities. Competitive strategies used by cities in Poland are not coordinated at the central level, nor is there any urban policy that allows a holistic view of urban development in Poland or the creation of development programs linking the entire national network. The few analyses of the competitiveness of Polish cities (it is worth mentioning the PwC Report on major Polish cities from 2006) take into account the competitive advantages of individual cities. Only the national strategy of regional development had minimal results in finding a solution, but it remains quite hypothetical. The catalogue of competitiveness factors of the region, elaborated for its needs, is, to some extent, applicable in urban conditions. It covers three basic groups of factors (economic, social and ecological) and defines sources of regional competitiveness factors at the endogenous, regional, state and community levels (structural policy and the EU's cohesion policy). Some of the factors listed in this catalogue, however, raise some controversies e.g., to what extent is a favorable demographic structure of the regional community a determinant, and to what an effect of a city/region's competitiveness, if we assume that territorial systems are just competing for young, creative, qualified and educated inhabitants?

It is worth mentioning the factors that have not been successful in Poland, but which have become part of the EU's structural policy. These include: active support for bottom-up civic initiatives; investments in training systems and development of human capital; direct investments and consultancy for enterprises in the SME sector; financing innovative activity, innovation transfers between research centers and business; investments in communication infrastructure and development of the information society. This catalogue, unfortunately, omits the microeconomic aspect and factors related to the operations of enterprises. Meanwhile, without an active policy of local authorities in terms of labor costs, renting premises for business activities and transport costs, or the general business climate, it is difficult to attract investors.

Figure 10.2. The city's competitiveness model according to the open city concept



Source: Sinkienė [2009, pp. 1–12].

The lack of a microeconomic view is also a disadvantage of competitiveness rankings, which are based almost exclusively on data illustrating the urban system as a whole, without a more detailed analysis of the contribution of individual enterprises. While such an approach has its justification in the case of small business units (their effects result from a certain synergy and if the location of the company changes they may not be repeated, in addition, the relocation of a small unit may remain unnoticed in the city's scale), large companies and corporate headquarters can decide about the city's success/failure on a regional, national or even global scale. The social dimension of business activity is also crucial. The standard of living depends on the employment and payroll policies of individual entrepreneurs. In addition, as cities (municipalities) are increasingly forced to represent an entrepreneurial attitude, entrepreneurs, as strictly business-oriented entities, are increasingly involved (even for image-related reasons) in activities reflecting the level of their social responsibility. Finally, it should be noted that such factors as transport, construction (including housing), education systems, cultural and recreational opportunities – are also increasingly the result of entrepreneurship and business activity, although their full cession to the commercial sector could entail social consequences and decline city's competitiveness.

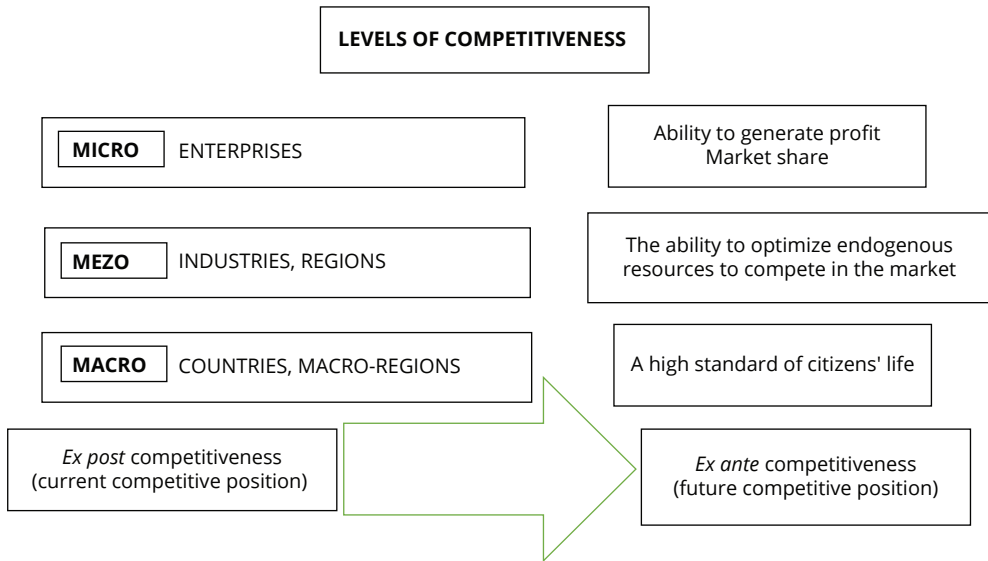
The Specificity of Urban Competitiveness

Utilizing the definitions indicated in the chapter above allows us to consider the specificity of city competition. Along with the assumption that the economies are in fact competing entities, it can be concluded that the competitiveness of cities is a competitiveness of the mezo-economic level, and thus lies between enterprises (microeconomic level) and national economies (macroeconomic level). Such a level can and should be distinguished not only due to the growing importance of cities in the global economy, but also due to the transfer of competition instruments in the territorial dimension to the level of cities and regions.

A conceptual approach to the competitiveness of the mezo-economic level has been proposed by E. Łaźniewska and M. Gorynia [2012]. In this model (Figure 10.3), regions, similarly to industries, use competitive strategy to change (increase) their competitive position by optimizing the use of their own endogenous resources, while also competing in the market. However, by adopting a more institutional approach to competitiveness analysis, it can be concluded that urban competition has more in common with the objective indicated in this concept for countries and macro-regions i.e., that cities apply a competitiveness strategy in order to achieve high prosperity and living standards of residents. On the other hand, cities do not compete exactly as

national economies do. They are distinguished not only by the size of the economy but, above all, by the instruments and by the possibility of direct competition between them, which is greater than in the case of countries. It seems, therefore, that in the competitiveness analysis it is worth distinguishing the mezo-economic level that will correspond to cities or regions.

Figure 10.3. Competitiveness in terms of scale, time and effect



Source: Łaźniewska, Gorynia [2012, p. 27].

The specificity of cities' competitiveness results mainly from their position in the economy. On the one hand, they are not completely independent entities, subject to many policies and activities planned and implemented from a central level. On the other hand, the economic strength of cities increases not only in a result of population growth in urban areas. The Gross Domestic Product (GDP) of Tokyo is already comparable to the GDP of Canada, New York – to Spain's GDP, and the GDP produced in the area of London is larger than the entire Switzerland's or Sweden's. It is forecasted that by 2025, six hundred of the world's largest cities will generate 60% of global GDP growth [Dobbs et al., 2011].

In the analyses carried out in this chapter, the assumption was made that competitive city is not only those whose economic units are able to maximize profit. Productivity is not the goal of competition policy and but a means to raise the standard of living. However, competition between cities exists, although it concerns investment, human capital, tourism, and cultural and sporting events. Sometimes this competition takes

a very public form e.g., when competing for the hosting of events or infrastructural investments, sometimes it is subtler, for example in the case of creating a high quality of life for residents. This combination of forms of influence – including those that are explicit, clearly testifying about competition, the need to cooperate in city networks and long-term, related to prosperity and quality factors – also affects the specificity of the competitiveness of the mezo-economic level, understood as the level of cities and regions.

Distinguishing features of urban competitiveness are also associated with the inability to use traditional instruments, such as trade policy or monetary policy, as they are reserved for national economies and supranational groups. In addition, the economic policy instruments that a city can actually use also take a different form. And so, the greater efficiency in the use of labor resources cannot be obtained by reducing employment, because it is contrary to the objectives of the city's competitiveness. Competitive strategy i.e., the transformation of endogenous resources into competitive ability, takes on a form of development policy, rather than a form of growth policy. At the same time, urban competitiveness is still relative and is therefore determined in relation to other units.

Another specific feature of city competitiveness is the dual nature of stakeholders. Activities aimed at increasing competitiveness are simultaneously directed towards residents and companies located on the territory of the city, as well as towards potential residents, tourists and companies from outside the city. Therefore, all policies aimed at increasing the attractiveness of the city must take into account these two separate and often quite different groups with different needs and expectations.

Conclusions

One of the reasons for city competitiveness is the growing economic importance of cities and the increasing population living in urban areas. In addition, the increasing impact of cities on the global economy (e.g., as part of a global network of cities) creates new opportunities for the competitiveness of these territorial units. At the same time, cities compete with one another by utilizing different methods in order to achieve specific goals. The features that make it possible to conceptually distinguish urban competitiveness from other types of competitiveness are:

- a lack of bankruptcy as a mechanism for selecting the most effective units; although individual cases of bankruptcy of a city are known (e.g., Detroit), in general there are mechanisms securing territorial units against such a situation (e.g., the introduction of a receivership);

- the goal of the activity is not to maximize profits: cities improve their competitiveness in order to increase the level of well-being of inhabitants and improve the conditions of enterprises;
- city competitiveness is a relative term, as the level of competitiveness is determined in relation to other cities. Relativity is a characteristic feature of competitiveness in general, but at the level of cities, the result of competition is often seen better than at the level of national economies, due to the greater freedom of movement of production factors within one country. On the other hand, the competitiveness of one city does not mean the failure of another, because cities operate within a network, and their relationship is more cooperative than competitive;
- a stable number of competitors: new urban centers are relatively rarely formed;
- city management does not affect all activities and phenomena implemented in the city: it is also subject to actions and policies planned and implemented from the national level, which limits the possibility of implementing its own competitive strategy;
- competition between cities has a national and international dimension: they compete with each other regardless of the administrative boundaries of countries;
- the range of means available as instruments to strengthen competitiveness is smaller at the local level (e.g., there is no monetary policy);
- the need to harmoniously combine the interests of residents and entrepreneurs as well as public and private interest is typical for urban competitiveness. A large number of stakeholders, different (conflicting) needs and a diversity of objectives complicates the city management process and its relationship with the environment.

City competitiveness is an issue that is gaining the interest of an increasing number of researchers. The specific features of the phenomenon indicated in this chapter allow to present it as a research problem with great potential – not only because it is a current topic, but also because of the immensely interesting nature of the dependencies that we observe. Despite an extensive amount of literature on the development of cities, the uniqueness of each of the concerned areas makes it almost impossible to apply practices verified in another city to a given city. This also affects a city's competitiveness strategy, which must be adapted not only to resources and conditions, but also to the expectations of its main stakeholders i.e., residents and enterprises.

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