

Glasgow defined: a business perspective

PwC in Scotland

Introduction

PwC in Scotland support for the Fraser of Allander Economic Commentary is now in its sixth year and we are pleased to be able to contribute this business perspective on Glasgow.

Commerce, trade and business together with education have been the heart of Glasgow over the centuries. Glasgow played a central role in developing Scotland's trans-Atlantic commerce and trade-based economy with the development of the tobacco trade. As the 'second city of the empire' in the late 1800s it was, as Findlay (2011) notes, a central player in the first industrial revolution with its textile, mining, iron and shipping industries. Glasgow's leadership in the manufacture of ships, locomotives and heavy engineering reflected not only a highly skilled workforce, but equally a strong tradition of technological innovation and invention together allied to a strong financial and business services base.

Through much of the 20th century Glasgow, along with many other industrial cities, had to confront the problems of industrial change and rising social deprivation and experienced several cycles of decline, renewal and regeneration. However, the traditions of innovation, together with a strong higher education sector, and a vibrant culture and dynamism have enabled Glasgow to change and to renew its economy. Since the 1980s, Glasgow has been rebuilding itself through a series of regeneration programmes including: the 'Glasgow Miles Better' campaign, the 1988 Glasgow Garden Festival, being European City of Culture in 1990 and, looking forward, hosting the Commonwealth Games in 2014. These, together with a series of development strategies, most notably the private-sector led Glasgow Action which led the implementation of a services-led McKinsey strategy from the mid-1980's to the Joint Economic Strategy of Glasgow City Council and Scottish Enterprise set out in 2006 'Step Change' strategy programme and – even more recently - the creation of the Glasgow Economic Commission and the private sector-led Glasgow Economic Leadership all illustrate the innovation and strength of commitment of civic, business and academic partners to continuing and strengthening Glasgow's economic growth and renewal.

As we argue in our report 'Good Growth for Cities' (2012), cities have a significant role to play, as the engines of both local and national sustainable growth in the current economic climate of reduced public sector expenditure as well as policies of reducing the structural deficit and rebalancing the economy. In the UK cities account for 9% of the landmass but are the location of 53% of businesses, 58% of jobs, 60% of GVA and 82% of high skilled jobs (Centre for Cities 2013).

Recent Scottish evidence (Grant 2013) suggests the growth in economic activity in the three major cities of Scotland – Glasgow, Edinburgh and Aberdeen – has outperformed that of the Scottish economy as a whole in recent years. 'Over the last eight years, the share of Scottish output that is produced in these three sub-regions has increased, and now accounts for almost one half of all output in the Scottish economy' (Grant 2013).

Today cities, as centres of economic growth, are even more important to the Scottish economy. Since the 1990s Glasgow has, through a series of economic development strategies, sought to develop the framework and partnerships to promote economic growth and to cope with the changing economic context. But Glasgow, in common with other cities faces new challenges – sustaining growth and competitiveness in a period of austerity, the need to reduce energy consumption and to take full advantage of the opportunities of the digital age to work smarter and to integrate more cleverly the activities of the city and its citizens.

The Glasgow Economy

Business tends to see the Glasgow economy not in terms of Glasgow city, but a broader metropolitan area with a population of 1.2 million (Glasgow Economic Commission 2011), encompassing North and South Lanarkshire, Renfrewshire and East Renfrewshire, East Dunbartonshire and Inverclyde together with

Ayrshire and West Dunbartonshire. The Glasgow Economic Review (2011) estimated the Glasgow metropolitan economy to be worth some £35 billion per annum with some 53,000 private sector enterprises (Scottish Corporate Statistics) with its further and higher education institutions generating £1.6 billion of output and increasingly acting as 'magnet' for business research and innovation: for example the Inchinnan-based Advanced Forming Research Centre (AFRC) focused on the aerospace market; the Cumbernauld-based Power Networks Demonstration Centre (PNDC) based on the energy transmission market and city centre-based Technology Innovation Centre the focus of Glasgow's strength in low carbon industries and, in particular, renewable technologies and innovation..

Glasgow has a diverse economy with more than ten companies with a turnover of over £500 million per annum, two FTSE 100 HQ companies (Weir Group PLC and Aggreko PLC), some 30 companies with an annual turnover of £200 - £500 million, 40 companies with a turnover of between £100 - £200 million, over 50 companies with a turnover of £50 - £100 million, over 75 companies with an annual turnover of £20 - £50 million per annum, together with almost 100 SMEs with a turnover of over £10 million per annum (data from Scottish Business Insider). Metropolitan Glasgow is also home to a greater than expected proportion of high growth companies [Glasgow Economic Commission, Economic Analysis (2011)].

What makes a competitive city?

Simplistically what companies want is a place where they can do business, be competitive and grow. For some Scottish cities this means a clear focus on the core business sector, for example for Aberdeen this is clearly a focus on developing and sustaining the oil and oil supply chain and renewable energy and hence a combination of public and private sector policies which facilitate the supply of skilled staffs and a modern infrastructure.

In recent years academics, policy makers and business have recognised the importance of modern, high quality information and communication networks and the potential economic advantages to be gained when cities embrace the commercial possibilities of integrated and advanced information and communication technologies. The development of 'silicon', 'cyber' 'digital' and 'Smart' city policies highlight the desire to accelerate the introduction and integration of information and communication technologies into city and business life in order to grow cities and regions have been widely adopted. There have been considerable differences in the emphases in such policies; some have focussed on a single objective (IT infrastructure and interconnectivity), others have stressed a broader programme of infrastructure improvements; and an emphasis on energy reduction and sustainability is a popular third theme. Additionally IT and information companies have recognised the value of the smart city concept as a marketing tool and have developed sets of factors to enable cities to benchmark and improve their smart working.

MIT Media Lab – City Science has developed six broad themes, embracing both current and emerging technologies, which need to be integrated in the future to sustain cities, arguing 'we must deploy emerging technologies to create a nervous system for cities that supports the ability of their government, energy, mobility, work and public health networks'. Similarly Giffinger et al (2007) in an EU funded study to rank European medium sized cities in terms of 'smartness' developed six criteria based largely on traditional regional approaches to regional growth; a smart economy, smart mobility; a smart environment; smart people and smart governance. Likewise IBM (2009) has published both a view of smarter cities and tools for assessing and monitoring progress to optimise core city systems.

We believe, as IBM also recognise (2010), that an emphasis on the need for cities to focus on modern and effective information technologies and integrated data management systems can possibly underplay the importance education and learning, cities with a combination of high quality university based research and well developed business and financial networks have been areas of rapid economic growth and business start-ups. A city's competitiveness depends not only on the infrastructure but equally on the skills, creativity, knowledge and willingness to absorb innovation of its citizens and of those who want to work in the city. It is important not to forget that Glasgow, and Scotland, have benefitted from a long tradition of successful entrepreneurs who, with a long term vision, have created large, successful companies.

For these reasons we support the approach adopted by the Glasgow Economic Leadership that, following Parkinson (2003 and 2005) and others, there are a number of key characteristics which can be used to define city competitiveness (see Slims Consulting 2011 for a fuller discussion of these themes), namely:

Innovation in firms and organizations; A skilled and educated workforce;

Connectivity – both physical and electronic;

A broad economic base;

A thriving higher education and research sector;

A good quality of life;

A strategic capacity to mobilise and implement long term strategies

Smart governance.

Good and effective growth

Traditionally growth has been measured in terms of economic data - growth, employment, income, GVA, infrastructural improvements together with measures of social equality and inclusion. More recently, broader indicators, popularly reported as ‘happiness’ indices have been developed. In 2012 the Office for National Statistics published a national well-being index based on additional questions added to the Integrated Household Survey, Oxfam produced a humankind index for Scotland (2012) entitled the ‘New measure of Scotland’s prosperity, in PwC we produced in 2011, in collaboration with Demos, ‘Good Growth’ a report on economic wellbeing and followed this in 2012 ‘Good Growth for Cities’. All of these indicate that successful cities are ones which identify the quality of jobs, income levels, health and work-life balance, housing and transport infrastructure and the environment as important factors to improve.

Looking forward: Issues for business

In terms of the cities agenda businesses are frequently asked the question ‘What do you want, or need, or looking forward what are your priorities?’ But there are no simple answers to such questions; much depends on the particular issues confronting a business sector and the stage in the business’s life cycle. Equally the answers will be different for incoming firms and those well established in the community. Simplistically all businesses want to be able to grow and develop, employees to enable this and an infrastructure that facilitates such growth and development. The Glasgow Economic Commission, drawing on Parkinson’s work identified eight key factors driving successful city economies and identified a number of sectors with the potential to generate significant wealth and employment.

Our work with the business community leads us to suggest four broad issues:

- Physical infrastructure Modern work requires good and modern workplaces which are energy efficient interconnected and well designed to be attractive places to work and do business;
- Connectivity A modern transport system with good interconnectivity between the main components and good links to the main markets. Excellent and smart digital connectivity and working for business and for the main aspects of city life. Open, strong and effective networks between local government, business, higher education and the community. A city which has good links to export markets.
- Innovation An effective governance, industry and higher education sectors which attract and retain skilled employees; a community which values innovation irrespective of whether it is scientific, business, cultural or artistic;
- A vision Cities need a vision for the future, a plan to achieve that vision and a commitment by the main city agencies to work to achieve it.

Conclusions

As the UK and Scottish economies begin the recovery from recession it is evident that the economic context has changed, there are severe and continuing pressures on public sector budgets, markets continue to experience ever-more competition, and energy and other mineral costs continue to rise. Glasgow has weathered an extensive economic restructuring over the past twenty to thirty years and is now, arguably, again at a crossroads. It can react to the current economic climate by accepting more modest ambitions and reduced rates of economic growth and business innovation, or use the current, challenging economic climate to innovate and engineer a future that embraces the opportunities offered by smarter ways of working,

Glasgow should be rightly proud of its successes in developing the renewables and the low carbon Industries, in its excellence in engineering and the life sciences, in its growing financial & business services, as well as its world class research led higher & further education sector and it should not forget the importance of its artistic and cultural sector which adds to the contribution tourism makes to the West of Scotland. Much has been achieved, nevertheless, future progress along the route to a future vision for Glasgow will require leadership, brave decisions to be made, and policies which encourage sustain and value private sector engagement and strong links between local government, higher education and business remain, as they have for previous generations, at the heart of Glasgow's future.

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