

CITIES

## Innovation in Urban Cities

by Devyn White



*As economies develop, urban migration crafts cities into the hubs of innovation and entrepreneurship. With further technological advancements however, this process is taken a step further with the emergence of “smart cities”. Read more about the articles in our newest special issue on city innovation.*

✔ **INSIGHT** | NOTE 30 Jan 2017

---

Cities are the hub of interconnected public and private systems. With the trend of mass urban migration, they have the ability to be an economic driver for innovation and entrepreneurship. As a result of wide scale urbanization, cities encompass dense diversity,

technological innovation, creativity, and entrepreneurial drive. As long as cities can continue to attract and retain citizens that are interested in advancement and innovation, urbanist Richard Florida argues, over time, they will be best for sustained growth.

For the past couple of decades, there has been concentrated development in suburbia and tech parks. There is now a movement from this environment to urban areas like San Francisco due to technological advancements. With tools like cloud computing, developers can work from any place, giving them the freedom to move out of tech parks and into urban cities. Urbanist Florida also reasons that cities are the traditional place for advancement, and it is time to return to them.

## Business Models for Smart Cities

Smart cities allow for more efficient management of services and infrastructure to facilitate an improved quality of life through innovation. With access to real-time data and therefore greater availability of information, issues like congestion, crime, pollution, and energy efficiency can be mediated and improved. An example of this is Barcelona's open data initiatives that have been driven by proactive government policy; this is further explained in Berrone's article in this issue, entitled "The Open Kimono: Toward a General Framework for Open Data Initiatives in Cities."

Steve Case, the founder of AOL, argues for widespread global entrepreneurship in his book, *The Third Wave*. In this framework, the first wave was an essential focus on the structure of telecommunications, which sets the basis for the second wave of network effects shown through companies like Google and Facebook. The third wave is now rethinking relationships between firms, government, and citizens in order to foster collaborative environments instead of hierarchical ones. This is necessary for the continuous development of smarter and more innovative cities. An example of how this could work is shown in the article, "The Making of the Urban Entrepreneur" by Munoz and Cohen. They describe the "4P model of urban entrepreneurship" which encompasses partnerships between people, private corporations, and public local governments to combine business models and eliminate the gap between public and private sectors.

# Sharing Economy

With a non-individualistic approach, the sharing economy encourages projects that enhance shared value like bike sharing, ride sharing, car sharing, and AirBnB. The main drivers of this shared economy are factors like the global economic recession, growing environmental awareness, and the prevalence of information communication technologies. At this point, we need these projects and programs to continue to develop domestically and globally. Person to person, business to business, and business to crowd services flourish in cities. This is shown “with more than \$2 billion in investment raised from venture capitalists and \$3.5 billion generated for users in P2P models in 2013” in the sharing economy.

Switching over to these common-oriented models can cause tensions and tradeoffs due to the normalization of capitalistic models. Although the open data models are opportunistic and progressive, there is not yet enough examples that show profitable applications of these models. Effective business models with a focus on open data have yet to be created and implemented. This switch will require time as the system goes through trial and error.

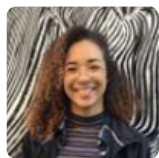
## Macro and Micro Level – Infrastructure and Tensions

There are three manifestations of tensions in the sharing sector. The first is the general conflict between competition and collaboration. This requires a new approach to business. The second is the lack of proper collaborative business models for third parties. The last is the deficiency of effective ways to collaborate between third parties and government and between third parties themselves. Basically, there needs to be a reorganization of the relationships between each part of collaboration to optimize sharing practices. But, switching to this new kind of relationship is difficult because sectors are still learning how to approach and navigate a collaborative environment. Also, profit-enhancing and competitive practices do not want to be eliminated, so we are looking for the best way to combine new and old techniques.

# Solutions

In order to mediate these tensions, the first step is being aware of them and how they affect the collaborative model. There have been strides to fix these tensions, but none of them have included changing the problematic organizational structure. Some solutions include an internal office for urban innovation challenges, an external entity focused on those challenges, and teams in multiple departments with separate projects and a main goal of cooperation. Amsterdam's smart city uses the external solution, while the Buenos Aires Ministry of Modernization uses the team idea.

Overall, the drive toward smart cities is important, but more exploration is needed to find the best techniques, models, and infrastructure. Better business models are needed to facilitate participation and as more private organizations join the collaborative environment, the projects will evolve. The hope is that, eventually, this type of system will foster greater economic growth in cities around the world.



Devyn White

[Follow](#)

Devyn White is a graduate of the University of California, Berkeley, with a degree in Political Economy. She has a strong interest in public policy and socioeconomic inequality.