

New Capitalism:

A Holistic Approach to Development

INTERVIEW WITH JAN STURESSON

Jan Sturesson is Global Leader of Government and Public Services Industry at PwC. In the following interview with The World Financial Review, Jan answers some of today's burning questions on sustainable development and argues that, if development is undertaken with a holistic approach, urbanisation does not have to be the threat to sustainability that many people perceive.

Urbanisation appears to be an unstoppable trend; how can urban growth be managed more sustainably?

Rapid urbanisation is undoubtedly one of the key megatrends driving change in society across the world. The frequency, direction and speed of urbanisation means that it must be at the forefront of the strategic agenda for any city, but particularly in emerging economies. But this isn't the only megatrend that impacts on the agenda of today's city manager. Another is demographic change, where certain areas in the world are ageing while birth rates in other parts of the world are making the average population younger. The socioeconomic characteristics of the influx of people into expanding cities raises important policy issues. Who is coming, and what do they bring with them in terms of both tangible and intangible assets, particularly the skills to make them employable? This leads to another of our identified megatrends – technological breakthroughs – which (if managed well) holds the promise to provide parts of the solution for the future sustainable management of cities. Smart solutions to urban problems need technology as an enabler.

You mention technology as an enabler, and it is certainly increasingly at the forefront of solutions to modern needs; how can new technologies be most effectively harnessed to foster sustainable urban development?

The phrase 'smart cities' has become a buzzword for city transformation globally. The marrying together of urbanisation, technology and knowledge transfer has hastened the trend for city managers to focus on making their cities smart.

But between setting the smart city vision and being able to deliver an integrated set of smart solutions and services – which will enhance both the quality of living and a city's competitiveness – lie a set of key success factors. These need definition, investment and nurturing in the context of creative funding, prioritisation and the need to collaborate on delivery with a wide range

of stakeholders (private sector, citizens and NGOs). A holistic approach is needed, which will combine multiple areas for sustainable (social, economic and environmental) development and require alignment of definition, design, funding, delivery management and the measurement of outcomes for smart city initiatives.

As such, the technological megatrend will provide the opportunity for cities to become 'smart', with smart citizens as an outcome. In this context, I believe that one way of making the best of new technology is to create exchanges where the public sector is constantly exposed to the new thinking and solutions from innovative tech companies. However, true societal change comes not from technology but from leadership, culture and a new way of relating to each other as co-creators of the destiny of our cities.

What opportunities can a sustainable approach to development open up for cities in developed and emerging economies alike?

Urbanisation is not so much of a threat to sustainability as many people think. Indeed, urbanisation can be presented as one of the most promising developments in the sustainability arena: it is more sustainable, from an emissions and resource consumption point of view, to live more densely and in a smaller area per person. On the other hand, this development itself presents many challenges, both social and infrastructural, which the 21st century urban manager needs to tackle. Although stretching the limits of a city's resources, the challenge is to see the opportunity for sustainable living, with more people sharing the same space – if properly managed.

The term "good growth" is frequently bandied around; what does this entail for cities?

Growth can provide cities with new frontiers of possibilities if managed well, or, alternatively, cause cities to degenerate into overcrowded areas suffering from social ills and the associated adverse effects of growth. The quality of growth that cities can achieve is strongly linked to their power to address social, environmental and economic issues in a cohesive and proactive manner, while making the most of future opportunities. This is what we call the "new capitalism" – managing and developing all capitals holistically for the development of a sustainable local economy. So, in order to achieve "good growth" a city must take a holistic view on its own development. This means a whole new



scorecard for strategic assessment. The days have passed when a city could view its own development in purely financial terms, and through the lens of an economist. Rather, the holistic view entails other forms of 'capital' than purely financial, such as social and intellectual capital, infrastructural and technological capital, tourism and attractiveness, as well as environmental capital.

How can "good growth" be most effectively delivered and measured, and what role can cities themselves play in driving this? There are many ways to measure each capital (indicator) through a basket of variables that together give a good estimate. By recurring measurement, city management can understand how they are faring. Examples from our results can be found in our annual Cities of Opportunity report. We also have a unique methodology for assessing the impact of choices in a place through Total Impact Measurement and Management (TIMM). This provides a model to deliver good growth within a place. TIMM enables a better understanding of the social, fiscal, environmental and economic impacts of city activities. It quantifies the social value or cost of different strategic choices and helps to make decisions such as investment choices using quantified data, evaluating the total impact of each decision and the choices to be made.

In addition to the challenges posed by urbanisation, we live in a world increasingly threatened by climate change and environmental disaster; how must city governments adapt their development objectives to deal with these threats?

Disaster management has become 'the new normal' in city management today. A city faces threats not just from environmental disasters, but increasingly also from social unrest and even civil unrest and terrorism – regardless of geographic region. Risk analysis on all relevant levels must be taken into consideration when planning ahead. We should also consider the opportunities inherent in risks.

But, as risk (or opportunity) analysis tends to be tentative at best, and wrong at worst, the most important trait of any city government is agility in its ability to respond. The complexity of the challenges, and the increasing speed of events, requires a municipal organisation whose response ability goes beyond business-as-usual management. To be agile means to be able to anticipate situations as well as adapt and react optimally to unforeseen events in a speedy and cost effective manner, providing needed responses in the short term without compromising

long term options. This agility in turn reinforces organisational resilience. In all this, leadership is a vital component.

Businesses are undoubtedly at the heart of any city's economy; what role can businesses play in driving sustainable development? Businesses generate wealth and are important partners in development for cities and governments. We need a new strategic stakeholder approach that doesn't just include the private sector, but also the not-for-profit sector, academia and, not least, enthusiastic citizens.

In this, the public sector needs to partner with the innovative and entrepreneurial spirit that often characterises the private sector. Many companies are facing a new value sought after by the consumers of their products – sustainably produced goods with a non-carbon footprint. This demand has forced many businesses to become more transparent and to adapt to this change in the market. These are practices where the public sector can, and should, be inspired.

What steps must city governments take to ensure that businesses are contributing to a sustainable growth agenda?

I believe that regulation is only one way to do this. The other, more interesting, way is to make businesses understand that they are co-creators of the success of a city. This requires their active involvement.

In this context we need to understand that society as a whole – not just the public sector, but all stakeholders – must work together. We also need agile leadership and organisations on all levels. Many of the complex issues we face today require a nuanced response, which involves more than just one stakeholder. 

About the Author



Jan Sturesson is a Partner and Global Leader of Government and Public Services Industry at PwC. He has been responsible for global organisations, including UN, EU, WB, ADB, EBRD and NATO. He has been Chairman of the Globe Award jury for the Most Sustainable City (2009–11), member of the Global Agenda Council on the Future of Urbanization (2010), and member of the World Economic Forum. He has authored more than 15 books, including *Future of Government*, *Cities of the Future* and *Corporate Governance in Public Sector Owned Companies*.