

## Innovation Perspectives in Local Administration at the Beginning of the “Age of Cities”

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**Abstract.** *This paper represents an insight of the public administration process to adapt to innovation. The particularities consist in the fact that, at least in Romania and other CEE countries, this process is rooted not only in the objective reality, but also this process has to include the adaptation of the (centralized) “state” to the market conditions. Somehow, it may be a contradiction between state/central/local administration and the market. Traditionally (or conservatively), the public administration is known as an exponent of the state, a state that must address equally, equitably and objectively the whole community and to ensure the right conditions for its correct functioning. The latter concept – market – is the opposite of the state, it implies competition, preferences, some kind of democratic (as opposite to central) participation at the city life. The nowadays realities put public and private face to face, forcing them to find a way to co-exist and co-create for the benefit of the whole community. The two sectors have all the conditions to collaborate, considering the scale of the flows, including the flows of innovation and knowledge that characterize our society today. The research is focused on the “status” of innovation in Romania, in general, and in public administration, in particular. In spite of its evolution from the centralized state to the EU democratic state, the innovation in public administration is perceived more as a restructuration or reorganization process required by the European Union. The underestimate of the innovation in the public administration is explained by the generally reduced interest paid to innovation both in the private as well as public sector, as revealed by the secondary data analyze we conducted within the documentation for this paper. The in-depth interviews are trying to explain how the local administration practically works, considering the innovation process. The results should be understood and further discussed from the larger perspective of new development trends, models and performance of cities all worldwide.*

**Keywords:** *city branding, knowledge-based society, local administration, marketing innovation, public sector.*

### Introduction

No doubt, we are living a period of tremendous transformations – decline of globalization, two-speed Europe, BREXIT - on the political arena that will impact the world establishment. The cities, regions, and states are facing the

challenges of new models, theories and practices aiming their growth and development: the model of triple helix, sustainable cities or European Smart Specialization (S3) have a common element – innovation (Etzkowicz, 2003; Romanelli, 2017; Todeva & Ketikidis, 2017). This is why it is so important to understand the trends and to adapt ourselves to those trends.

Traditionally considered to belong exclusively to the state, the public sector is passing now through a complex process of change. The borderline between public and private has become a very thin line. Sometimes, this line is even interrupted because of the merger, collaboration or unification of the two sectors in solving issues, phenomena, events or causes that exceed the potential or knowledge or any other resource of just one sector. Innovation, R&D and knowledge-based society represent, on one hand, a field that requires resources from the both sectors, and, at the same time, facilitate their development.

Broadly, the public sector consists of all the activities and services provided, financed or highly regulated by the central (state), local or super-state authorities (Paunescu, 2008, p.31). Narrowing, the public sector represents all the activities aiming at producing public goods and services (Nicola, 2010, p.32). The public administration is a central piece of this sector.

Climate change, poverty or terrorism are some of our current day problems for which states have gathered and collaborated in larger supra-state organizations in order to solve them. Neoliberalism, globalization, computers and communications have begun to directly connect us, the state borders losing their consistency. In this logic, the state has transferred part of its attributions to these supra-state organizations. The same factors determine cities to be prepared “to take over the regional governments as key-level of governance in the new millennium” as Castells, cited by Riordan (2004, p.79), provisioning that cities would be nodal centers of the interconnected economy. This interconnected economy is the result of a very advanced technology, encourages the knowledge-based sectors of activity, and benefits creatively from innovation.

In 2020, only four out of the forty largest cities will be in Europe: Istanbul, Moscow, Paris and London and only three out of the forty greatest urban area are in Europe: Moscow, Paris, Dusseldorf (The Economist, 2015, p.19). New “concepts” are entering our vocabulary. “Diplomacity” – because cities have overtaken and better dealt with important issues of the day than the national governments; because cities define themselves by their “connectedness” with the others than by sovereignty (Khanna, 2016). The investments in infrastructure are estimated to reach up to 4 trillion USD from 2.5 trillion, enabling “the connectivity” and leading to “a growing

capacity of sub-state entities to shape their own relations with the world” (Khanna, 2015). Nordstrom and Schlingmann (2015, p.95) are introducing us “The urban rule no. 5: Multinationals have become multi-urban”: companies are in search for cities for their headquarters or production relocation. This is the world we are heading to.

The greater picture is that “Cities today are ranked by their influence in global networks, not by their territorial possessions” (Khanna, 2016, p.50). Large population and strong economy “will enable” cities to “greater autonomy” and “direct diplomacy” (Khanna, 2016, p.51). “Cities in the twenty-first century are mankind’s more profound infrastructure; they are human technology most visible from space, growing from villages to towns to countries to megacities to super-corridors stretching hundreds of kilometers” (Khanna, 2016, p.49). Great prediction, challenging part to be played by, a huge responsibility for the cities. Cities must prepare themselves and “manage a city becomes comparable to managing a large organization” (Bobek, Macek & Jankovic, 2015, p.31).

Romania is the eighth state as size, in the European Union. Its population amounts 20 mils. inhabitants, equal to the population of New York, and only two-thirds of the population of Jakarta. Its largest city - Bucharest - concentrates 10% of its population. It is challenging for a country with the size of Romania to participate in this competition. But, if the size is not an advantage, there should be other ways to align itself, to a certain degree, to this trend. This competition is very rough: after BREXIT, already important cities of Europe have started their competition to attract potential companies, banks, investors, intellectual capital or other resources that might intend to relocate in the European Union: “fast movers include Berlin telling London-based tech start-ups to ‘keep calm and move to Berlin’” (Clark, 2016). The same did Paris, Frankfurt, Luxemburg and Dublin when offering “for financial services and headquarters functions for the EU market”, or Estonia which is “typically tech-savvy by offering e-residency for British digital entrepreneurs” (Clark, 2016).

One solution should be the shift of the entire mindset toward innovation: not only on private sector – where competitiveness may be the stimulus for innovation - but also in the public sector. Public administration, as part of the public sector, very often directly faces the community demands, mostly of them being oriented to a better life in their cities. Public administration, as part of the public sector, becomes a mediator between the political decisions issued at the national political level and needs, requirements and expectations of the member of the society, acting as “factor of change” (Caraus, 2012, p.54). The Strategy of Territorial Development of Romania

(MDRAP, 2013, p.13) mentions that after 1990, many cities of Romania have been confronted with a massive process of de-industrialization, unfavorably impacting their population. It is estimated that during the next twenty years, this population is heading the “rural administrative units with favorable situation”, administrative units themselves heading the transition to the urban profile (MDRAP, 2013, p.13).

## **Literature review**

### ***New frontiers for public administration: innovation***

The invention is the first occurrence of an idea for a product or process, while innovation is the first attempt to carry it out into practice (Fagerberg, 2011 cited by Leovaridis, 2014). Schumpeter (1939) defined innovation as “the commercial exploitation of an invention” (Glodeanu et al., 2009, p.31).

The National Institute of Statistics (INS, 2016, p.12) defines innovation as “the introduction of a new or significantly improved product, process, organizational method, or marketing method by the enterprise. It must have “characteristics or intended uses that are new or which provide a significant improvement over what was previously used or sold by your enterprise” and it needs to be “new significantly improved for the enterprise, but it does not need to be new to market”, it could have already been “originally developed or used by other enterprises” (INS, 2016, p.12). OECD focusses on the practical use of the innovations: “introduced on the market” or “brought into use in the firm’s operations” (OECD, 2005, pp.46-47).

The public sector comprises the general government sector plus all public corporations, including the central bank, meaning all the entities which provide services to the community and administer the state and the economic and social policy of the community, as well as the non-profit organizations (OECD cited by European Commission, 2013c, p.8). The public sector is more and more oriented to innovation as “a means to address growing budgetary pressures, throughout more efficient administration or service delivery, and new societal demands, through different and more effective service design”, remaining, due to the economic crisis “a challenge but also a solution” (European Commission, 2013c, p.4).

The public administration is part of the public sector, along with “all the activities aiming the production of public goods and public services” (Nicola, 2010, p.32). In an economic meaning, state, government and public administration are institutions that govern the society and administrate the public interests (Nicola, 2010, p.31).

“Public sector innovation is the process of generating new ideas and implementing them to create value for society or anything else that works (Mulgan, 2007 cited by European Commission, 2013b, p.9). European Commission (2000) cited by Leovaridis (2014, p.15) focuses on “its capacity to assimilate and convert new knowledge to improve productivity and to create new products and services”.

In the Schumpeterian way, innovations and the public sector are related to “the application in economics and business of the wider theory of how evolutionary change takes places in societies” and how it “will be spread in different degrees throughout the given sphere of life” (Kattel, 2014, p.11). More recent, during the organizational theory period, James Q. Wilson (1989, p.225) emphasized the fact that “real innovations are those that alter core tasks; most changes add to or alter peripheral tasks (Kattel, 2014, p.12). This aspect is particularly important in public administration, where, with every new election, the elected city administrators or representatives of the authorities always bring something new – programs, projects, etc., but not necessarily innovating the public administration as organization, institution or process. In nowadays, during the autochthonous theory period, Hartley (2005) underlined the “difference between public-sector innovations in traditional, new-public-management and network-based paradigms of public administration” (Kattel, 2014, p.13).

Cavalcante and Camoes (2016, p.2) explain these changes as rooted in the macroeconomic, and ideology and technological advances of the ‘70s that influenced the managerialist movement as the consequences of the financial crisis which shifted the attention to the need to reduce the degree of the state intervention in the economy and in society, seen as the main reason for the inefficiency and ineffectiveness of the public administration (Carreiro & Menicucci, 2011), as well as in the “the increased competition among countries for private investment and skilled labor” (Secchi, 2009). The last one will be fully used in the emergence of place branding.

European Commission (2013c, p.12) identifies three directions of implementing innovation in the public sector: top – down and bottom - up approaches and policy driven innovations. In the first case, policy decisions from the highest level of executives are implemented by the actions of senior management (Hartley, 2005), “generating large-scale innovations”, addressing all (or at least having an influence on more) target-groups. Borins (2000, 2001) explains that the “bottom – up approach” is due to the fact that “the majority of innovations were initiated by middle management and frontline staff”. This is the “incremental innovation” (European Commission, 2013c, p.12) - sometimes solutions to specific issues of a

community have a more limited application. The third type is the policy driven innovation, defined as “top-down innovations driven by political or ministerial decisions” (European Commission, 2013c, p. 12).

Initially, cities were administrated and we dealt with public (local, respectively) administration. The state component of the city functioning is represented by the administration. It is specific to “the macro social level”: “it belongs to the state: it represents the administration of the state assets and affairs, so, it is loyal to the state interests” (Paunescu, 2008, p.10). It is “rather characterized by ethical and procedural correctness, neutrality and impartiality” (Paunescu, 2008, p.10). Romanian “public administration is focused mainly on territorial-administrative configuration, public function, the roles, and relations associated with the public functions” (Paunescu, 2008, p.10).

But, as the state role has changed, therefore the city functioning has smoothly transited to new ways of expression: new public management and new governance. The public administration has been transformed from “the executive of legal forms” to “the main financing source of public affairs and important public services provider” (Nicola, 2010, p.7).

In many respects, public administration and private sector are similar. Only apparently they are similar. Essentially, they differ as result of the ownership type and legal frame they act in. Private companies are based on the private ownership and acts on commercial basis. They aim at obtaining profit for the benefits for their shareholders. They may address a certain share of the market, according to the strategies they concept and implement in maximizing the profit. Only their shareholders hold them responsible for the results. Each of the shareholders is entitled to a share of the profit equal to its participation in the business, respectively to how much of the private company he/she owns.

The local administration acts on social bases and social contract. It addresses equally and equidistantly the whole community it belongs to. Its final goal is the general welfare of the community. The local administration and the community are permanently and historically bound.

It explains why it is more external-oriented, aiming at firstly “achieve external policy outcomes” and secondly at “re-thinking and redesigning internal organizational structures and processes” (European Commission, 2013b, p.9). It refers to “governance model, public administration, the organization of public services, and general framework conditions for the operation of government” (European Commission, 2013b, p.11). The public sector, as above argued, is more oriented to the external public and acts

more as a service provider. From these points of view, European Commission (2013c, p.9) has its own interpretation of this type of innovation.

The citizens, the residents of the city belong to the city. They act on social bases, on rights and duties. This particularity explains the differences between public and private sector, considering the innovation. Service and communication substitute the product and, respectively, marketing innovation, as the “classic” theory mentions. As generally known (INS, 2016; OECD, 2005), there are four types of innovations: product innovation, process innovation, organizational innovation, and marketing innovation.

Public management is “more fluid”, being more oriented to results, strategies, environment, it depends on “external evaluation of the services”, mainly the citizen evaluation (Paunescu, 2008, p.10). Public management “represents the preoccupation for the quality of the public services, as well as the citizen satisfaction, transcending the governmental limits, addressing private sector organizations with public goals” (Paunescu, 2008, p.11).

### ***Marketing and management innovation in public administration***

The NIS (2016) and OECD (2005) identify four types of innovations. The product innovation is the introduction on the market of a “new or significantly improved good or service or a good or service with respect to its capabilities, user-friendliness, components or subsystems” (INS, 2016, p.12). The process innovation is “the implementation of a new or significantly improved production process, distribution method, or support activity for your goods or services” [but excludes] purely organizational innovations” (INS, 2016, p.12). The process innovations “can involve significant changes in the equipment and software used in services-oriented firms”, as well as “the implementation of new or significantly improved information and communication technology” (OECD, 2005, p.49). The third type is the organizational innovation – “the implementation of a new organizational method in the firm’s business practices, workplace organization or external relations” (OECD, 2005, p.51). The fourth type is the marketing innovation, meaning “the implementation of a new marketing concept or strategy that differs significantly from the enterprise’s existing marketing methods and which has not been used before” (INS, 2016, p.13). OECD (2005, p.49) defines it as “the implementation of new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing”, aiming at “better addressing customer needs, opening up new markets, or newly positioning

a firm's product on the market, with the objective of increasing the firm's sales”.

In the '90s, a new trend appeared: the New Governance (NG). It is the result of the “social, demographic and technological changes” requiring “collective solutions for the society issues” (Paunescu, 2008, p.38). It transfers the focus from competition between public and private sector to collaboration, having the view the creation of value for citizens and the “quality of life” (Paunescu, 2008, pp.40-41). The NG is “citizen-driven” and frequently addresses the “stakeholders”, all the interested actors of a city, irrespective of what sector do they belong. In fact, the limits between private and public sectors are much diminished now, all the entities composing these sectors is now focused on the satisfaction of the citizen's requirements (Paunescu, 2008, p.41). This new vision is a step forward, more appropriate to the city branding theory and practice. The city brand strategy is an umbrella brand, equally “covering” each stakeholder of the city, but with sub-brands addressing specific target groups. The NG replaces the “chronic mistrust” of the citizens in the governance with the public agenda directly corresponding to the citizen's needs (Paunescu, 2008, p.42).

The New Public Management is a complex innovation, consisting of more than one type of innovations. Essentially, it “advocates for the incorporation of private sector techniques of efficiency, effectiveness, and competitiveness in the structuring and management of public administration” (Cavalcante & Camoes, 2016). The NPM aims at a “more competitive and efficient in resource use and service delivery” [being] concerned with the commercialization [...] for the state's role in providing services to its citizens, and of the state's relationship with its citizens” (Promberger & Rauskala, 2003).

The NPM applies the efficiency techniques of the private sector model to the public sector, by “introducing the incentives of performance and competency” (Paunescu, 2008, p.38). It sustains “the superiority of market and private corporate procedures” (Paunescu, 2008, p.38).

It is a marketing innovation of the public administration since it is based on the “market attributes”, assuming that “the market processes, the competition between suppliers and the result-orientated public sector will increase its efficiency and its sensitivity to the consumer-citizen” (Paunescu, 2008, p.38). It introduces the “market discipline”, uses “term contracts and public tendering procedures”, determining “lower costs, better standards and more innovation in product design” (Promberger & Rauskala, 2003).



Also, it consists in a management innovation, moving from the “traditional public service ethic to more flexible pay, hiring, rules”, respectively “proven private sector management tools in the public sector” (Promberger & Rauskala, 2003). The organizational innovation refers to the “disaggregation of the public sector into corporatized units of activity, organized by products, with devolved budgets” (Promberger & Rauskala, 2003).

Marketing and communication are, substantially, two different sciences. In our interdependent world, “particles” of one area of interest easily slide to another, influencing its development. At the same time, this second domain, in a foreseeable future, may liberate another particle to flow toward the first one, influencing in their turn. All it is about flows, in our life intermediated by computer, internet, and networks. In this logic, marketing and communication still have something in common, they need each other. Marketing needs to properly know how to communicate to the markets. Communication needs to know what to communicate to the publics. European Commission (2013c, p.9), defining communication innovation, and OECD (2005, p.12) defining the marketing innovation, observe that both of them refer to implementing new methods to change the target groups behavior in the favor of organization. Further, branding serves the both needs. Known more from the product, corporate, commercial area, branding is slipping from the private sector, forcing its own passage into local administration, as representative of the state in any city. In this capacity, city branding may be considered innovation in the overlapping fields of marketing and communication. Further, even the European Commission, has an innovative contribution to the theory of innovation, by sustaining that, in public sector, product and marketing innovations are substituted by service and communication innovations.

Continuing, branding, as we know it today, has emerged from marketing. The places, countries, cities, regions have become actors in the global competition for resources (Anholt, 2007). So, cities have innovatively borrowed the behavior of the economic agents – corporates, products, services, etc. – in their strategies to access resources. In this way, city branding has more a marketing shade than only a communication shade. Insisting on city branding as marketing innovation has also an “educational” scope: getting used of the local administration with the concrete fact that they are acting in a competition for accessing resources.

Carmeiro and Menicucci (2011), Cavalcante and Camoes (2016), and Secchi (2009) argument the approach of city branding as marketing innovation in local administration: from now on, the city will develop strategies for

"better addressing the customer needs", positioning among the other cities in the region or providing the same services/products like its competitions, in order to increase the sales, including the opening of new markets. It is about a brand strategy similar to the traditional product/service branding. This city brand strategy is precisely the marketing innovation in local administration. OECD (2005, p.50) goes further in explaining that branding is "a new marketing method in product promotion", by "developing and introducing a fundamentally new brand symbol". Of course, in place brand theory, the brand symbol (logo) is just a part of the city brand and what is beyond this logo explain the innovation in marketing.

Although present in many fields of activity, innovation in the non-market-oriented sector (non-profit organizations), as well as in public sector is less represented in the literature (OECD, 2005, p.16). Public administration, along with education, religion, public health care, governmental agencies, political parties, etc. are non-profit organizations (Nedelea, 2006). Nedelea (2006, p.20) defines the marketing in public administration as "concepts, principles, methods and techniques to understand and improve the marketing activity and the operational activity from public administration institutions and marketing campaigns of the public officers, city mayors and / or elected persons from the public sector". "Public administration marketing is a systemic research process aiming at getting information about the market" (Nedelea, 2006, p.20). Searching the market, continues Nedelea (2006, p.21), represents, for any public entity, "to know all the factors referring to the needs and preferences of the citizens, the way to satisfy them, the factors that accelerate or slow down the process of public administration".

Halemane, Janszen and Go (2010, p.172) sustain that "place branding practice needs to apply innovative governance [... learning] from the networked world of corporations". They (2010, p.172) consider that "innovation scenarios" successfully contribute "to stimulate entrepreneurship and creativity" with benefic impact on place branding based on "co-creation" and "co-innovation".

People have the same "image formation" for cities, as for products or services, so the brand may easily be applied to cities, too. They construct the city in their mind through three processes: "planned interventions" (urban design), the way in which the place is used and through "the place representations" in films, novels, news, etc., exactly like for any other commercial brand (Kavaratzis, 2007, p.702).

Anholt (2010a) explains that the place branding, including city branding, is actually "political", but unlike other policies or strategies, there are, "in

essence, five new ideas". The first one refers to the "robust and productive coalition between government, business and civil society, as well as the creation of new institutions and structures to achieve and maintain this behavior" (Anholt, 2010a, p.12). The second, innovation plays in the brand image "is not under the control of the owner of the brand" but rather in the control of its consumers; the "brand equity" explained by the fact that "reputation is a hugely valuable asset" that needs a long term management. Another innovation lays in the purpose of the brand, which unites heterogeneous groups of people around a common strategic vision which management is "first and foremost an internal project". And the fifth new idea is the innovation itself in all sectors of national (or city if we are referring to cities, here) activity, in order to influence public opinion, media included, always in search for "new things that suggest a clear and attractive pattern of development and ability within the country or city, then in the rehearsal of past glories". Anholt (2007, p.12) concludes that the city brand, as included in the same category as a country brand, represents 80% innovation, 15% coordination and 5% communication.

### ***Cities development trends and models***

Easily to be recognized, a very common element of our day to day life, the city is still difficult to be properly defined. A basic definition could be a "relatively permanent and highly organized center of population, of greater size or importance than a town or village" (www.britannica.com). The city "is a center of more advanced population from the economic, socio-cultural and urban point of view", characterized by three main attributes: professional activity, housing concentration and number of inhabitants" with activities "not related to agriculture, but to trade and industry" (Ilinca, 2011, p.9).

Jordan (1974) cited by Ilinca (2011, p.9) added that "The basic features of the urban environment are the contents of activities within the city, professional and social structure of the population and urban appearance".

At the beginning of the XXth century, Weber (1949) cited by Ilinca (2011, p.11) defined the city as "a human entity, characterized by actions, complex social relationships, and institutions". After almost seven decades, Castells (1972) emphasize the predominance of the economic side – the urban is the spatial unit of labor force reproduction (Ilinca, 2011, p.11). Ilinca (2011, p.9) underlines two aspects of the present day city: production and consumption. Jayne (2006, pp.2-3) underlines the "re-orientation of the city life away from the logic and organization of the production of goods and

services towards the position of where consumption is the prime organizational feature". In this new context, the local administration is in charge with "economically and symbolically important new urban consumer spaces" (Jayne, 2006, pp.2-3).

The present day feature of the city dated since the Protestant Reform and Industrial Revolution. Up to the Protestant Reform, profit had been defined as "excess of selling price of goods over costs" without generating "large capital accumulation to invest in the development of industrial society" (Pacione, 2001, p.47). But the protestant doctrine marked a paradigm shift and "a new set of value that stressed the rationality in interpersonal relations, including trade, hard work and the right to the material rewards of one's labor" (Pacione, 2001, p.47) permitting the emergence of the capitalist society, including the industrial city and generating the necessary funding for development of regional marketing, administrative and commercial cities.

Florida (2002) explains the emergence of new classes – the creative class – as "a fast-growing, highly educated, and well-paid segment of the workforce on whose efforts corporate profits and economic growth increasingly depend", which is able to "power the innovation and growth". They are seeking for "more tolerant, diverse, and open to creativity" cities, targeting places/cities, where they "can find opportunities, build support structures, be themselves, and not get stuck in any one identity" (Florida, 2002, p.15). These cities offer wide opportunities for professional achievement and "greater diversity and higher levels of quality of place", meeting the lifestyle requirements of the creative class, exigencies that "go well beyond the standard quality-of-life amenities" (Florida, 2002, p.20). This new type of citizens prefers "diversity", "active participatory recreation over passive, institutionalized forms", "indigenous street-level culture", but also a place with "authenticity and uniqueness". Summing up, the "leading creative centers provide a solid mix of high-tech industry, plentiful outdoor amenities, and an older urban center whose rebirth has been fueled in part by a combination of creativity and innovative technology, as well as lifestyle amenities" (Florida, 2002, pp.21-22).

In 2006, Carillo (2006) cited by Anttiroiko (2014, p.115) defined "knowledge cities as urban communities that possess an economy driven by high value-added exports created through research, technology, and brainpower". Two of its key assets are human capital and innovation capabilities. The recent economic crisis launched new challenges to Europe, one of them being the "shift of the focus from technology to knowledge" (Cappellin, 2009, p.2).

World Bank (2011) defined knowledge economy as “one where organizations and people acquire, create, disseminate, and use knowledge more effectively for greater economic and social development: there are closer links between science and technology; innovation is more important for economic growth and competitiveness; there is increased importance of education and life-long learning; and more investment is undertaken in intangibles (R&D, software, and education) which are even greater than investments in fixed capital”.

“After the massive de-industrialization of the urban economies during the 1970ies and 1980ies, the economic engine of cities has changed [and cities become] the core of the far-reaching sectoral transformation of the national and international economy into the model of the `knowledge economy` and the competitive advantage of cities and regions is determined by a faster adoption of innovation”; these new trends “imply the search for new forms of urban governance [aiming] at greater public participation” (Cappellin, 2009, p.23). Since governance is defined as “the sum of the ways through which individuals and institutions (public and private) plan and manage their common affairs”, the key problems are related to “labor qualification, territorial planning, living and consumption patterns, governance [...]” (Cappellin, 2009, p.35). The knowledge city has “four thematic areas” – labor, territory, consumption, government – and from our point of view, the most relevant is the relationship between government and consumption because it connects the large public projects and the creation of new identity or re-branding process (Cappellin, 2009, p.37).

Cappellin and Brondoni (2011), in their paper about global cities and knowledge management, highlight that “national economic growth and urbanization are interdependent” and in this context, “cities are not only key nodes in the commercial transactions of goods, but also hubs in the flows of information and in the generation of new knowledge” and their growth, in the modern post-industrial period, is linked to the continuous changes in the internal demand [...] and internal supply [which] are tightly integrated by the knowledge flows”. These global cities need other governance models, suitable to “the global managerial economics”, in which “knowledge production becomes the critical competitive factor” (Cappellin & Brondoni, 2011, p.2). This requires a new model of urban development where “innovation and imitation related to knowledge production are integrated with a widespread and advanced intangible consumption economy” (Cappellin & Brondoni, 2011, p.4).

Rittgasszer (2013), and Yigitcanlar and Bulu (2015) refers to the concept of “knowledge-based urban development” as “a new development paradigm”

able to answer the comprehensive questions about what type of improvements are needed to integrate a city in the knowledge-based economy. Knight (1995, 2008), Rittgasszer (2013), and Yigitcanlar & Lonnqvist (2013) define knowledge-based urban development as “the transformation of knowledge resources into local development to provide a basis for sustainable development and a social learning process in which the knowledge capital is utilized in the development of sustainable urban region”. Kunzmann (2008) considers it “a collaborative development framework that provides guidelines to the public, private and academic sectors in the makeup of future development strategies that attract and retain talent and investment, as well as to the creation of knowledge-intensive urban and regional policies”.

Romanelli (2017, p.123) considers the triple helix model (Leydersdorff & Etzkowitz, 1998) as “the key” to innovation in knowledge-based society. The Triple Helix Systems - “the synthesis of university, industry and government into an innovation system” – represents a paradigm shift “from the domination of industry-government dyad” to the “industry-government-university triad”, the shift from the Industry Society to the Knowledge Society (Ranga & Etzkowitz, 2013, p.238). In this model, public or local authorities enrich their role with entrepreneurial characteristics, focusing on “product development”, innovation becoming, in these conditions, “an endogenous process of taking the role of the other” (Etzkowitz, 2003). According to this model (Etzkowitz, 2003; Leydersdorff & Etzkowitz, 1998) industry, universities and government may act as core spirals replacing the other over time, as “the driving force in a triple helix configuration” (Romanelli, 2017, p.123). This model proves its potential, also, in regional government and economic development and growth (Danson & Todeva, 2016, p.13).

Cities are entities in need for resources able to ensure future growth, respectively creative class, and for this, the cities supply must be diverse, complex, of high quality, something like a “supermarket” (Zenker & Braun, 2010, p.3). Secondly, a sensitive point, it is that cities, in competition for globally spread resources (which lately have become more refined and sophisticated than simply financing, export markets or tourists, as “classically” mentioned so many times) should develop policies and long-term strategies oriented to attract their strictly necessary resources (quantitatively and qualitatively), in full concordance with the trends of the global world we are living in, characterized by knowledge-based society, emerging economies, information, capital and labor force flows – only these strictly oriented resources being able to ensure their future growth. These city development strategies look like the product or corporate strategies so many times being proved as efficient in the international trade. But, and this

is why we called this point as sensitive to be accomplished, the places are more difficult to be managed than any corporation: "a contract of employment is mainly about duties, whereas a social contract is mainly about rights" (Anholt, 2010a, p.6). Third, but not necessarily in this order, we should keep in mind the repetitive use of words "creative", "innovative", "lifestyle" in Florida's (2002) article that lead us to the "livability" concept, which is very close to "living the brand".

Pacione (2001, p.396) defines urban livability as "a relative term whose precise meaning depends on the place, time and purpose of assessment and on the value system of the individual assessor" and it is the meeting point between the objectivity of urban environment quality and its subjective understanding and perception of the urban residents: "In short, we must consider both the city on the ground and the city in the mind".

## **Insights on local administration in Romania**

### ***Research methodology***

The local administration in Romania has had the important task to ensure the transformation of the centralized and totalitarian socialist state to the democratic and pluralist state and, secondly, to adjust to the European provisions determined by the country's accession to the EU.

The objective of our research is to identify the present status of Romania and its cities in the greater picture of global trends: innovation in public administration, city branding, knowledge-based urban development and global competition.

The secondary data analyze reveals the innovation "behavior" in Romania, relating it to the European, and even the larger environment, of global concerns about innovation. The reports, studies, and statistics offer a general picture of Romania and its cities with regards to few indicators that could define, in future, the "livability" of a place.

The interviews are focused mainly on two issues: the local administration opinions about the global trends and perspectives and the need for innovative measures and directions in city management in order to fit these trends.

The interviews were conducted in February – April 2016, with twelve representatives of local administration, based on semi-structured interview

guide. The duration of an interview was about 45 minutes. We have described the respondents only by their professional experience in local administration, as a number of city mayor mandates (four-year term). Also, by associating the respondents to the city mayor mandates, we intend to capture their perception about changes, strategies, objectives, even work-style of the local administration. Their professional experience varies from one mandate (respondents R5 and R6) to six mandates (respondents R1 and R7). The interviewed persons have a university degree, with at least five years' experience on the job, working in public relations, financing and accounting, investment, public utilities and human resources departments.

Also, the specific objectives of the research are: identification of the responsibility for innovation, city branding, and marketing; the identification of concrete innovation projects; the level of knowledge about other cities experiences on innovation and cities development trends and models; identification of the collaboration initiatives with other entities in developing innovation projects. The research also aimed to identify respondents' opinions on innovation in Romania and the modest ranking of Romanian cities among other European cities, on the necessary education or professional experience for the public administration employees in order to be involved in such projects.

European Commission evaluates our innovation background as “modest”. In 2015 and 2016, the product / service and marketing / organizational innovation in SMEs has constant values for Romania, with a very slightly increase in employment in fast-growing firms' innovative sectors, from 16.0 in 2015 to 16.9 in 2016, the growth being, in percentage, more than double (from 0.7% to 1.5%). These indicators express the private sector ability to innovate. A rather restricted capacity of innovation in the private sector (SMEs) does not offer an example or a rich enough source of inspiration to the public sector. These have tremendously low values compared to the EU average or other CEE countries (European Commission, 2015b, 2016). Romania is ranked in the “modest innovators group”, together with Bulgaria. The general trend of innovation performance in the EU is descending, from more than 48% in 2010-2012 to 40.3% in 2015 (European Commission, 2016, p.14). Romania was very promising before 2010, with a relative performance of the innovation index above 50%, but, in particular after 2012, it this declines (-4.4%) (European Commission, 2016, p.14). This group has been constantly reduced as components, from four countries in 2013 (Bulgaria, Latvia, Poland, and Romania) (Nicolae, 2013), just to Romania and Bulgaria in 2016 (European Commission, 2016), below most of Central Eastern European countries, such as Croatia, Cyprus, Czech Republic, Hungary, Italy, Latvia and Lithuania, Poland, Portugal, Slovakia and Spain, which are “moderate innovators”, also with innovation



performance below the EU average. More, Romania had developed an increased performance prior to 2014 (more than 15%), when it registered a decrease (European Commission, 2015b). European Innovation Scoreboard 2016 (European Commission, 2016, p.69) describes the decrease of the innovation performance in Romania: after an ascending period up to 2010, it has been declining, reaching in 2015 a “significantly lower level than in 2008”.

As a general status, in 2015, Romania follows the EU average trend in new doctorate graduates, exports in knowledge intensive services and youth with upper secondary level education (European Commission, 2015b, p.67). In 2016 (European Commission, 2016, p.69), Romania “behaves” slightly different, with a new focus on export in medium & high-tech products and the same concern for youth with upper secondary level education, but still at the average level of the EU. Probably, the decrease of Romania’s performance is the result of the negative values of the sales share of new product innovations (-21%), non-R&D innovation expenditures (-17%), SMEs innovation in-house (-17%) and SMEs with product or process innovations (-17%) (European Commission, 2016, p.69). Bulgaria, in the same group of modest innovators, has, as relative strong points, human resources and intellectual assets (European Commission, 2015b, p.46). Hungary and Poland are ranked as moderate innovators. The relative strengths of Hungary are license and patent revenues from abroad, exports in medium and high-tech products and international scientific co-publications (European Commission, 2015b, p.61). Poland’s relative strengths are in non-R&D innovation expenditures and in community designs (European Commission, 2015b, p.65).

The second direction of our research is the positioning of Romanian cities among the other European cities. The paper analysis it from two points of view: the “internal” consumers of the city, related to the citizen's satisfaction with the administrative services and the way they live in the city. The “external” consumers are represented by the foreign investors, as presented by the fDI reports.

European Commission (2013a, 2015a) reports on Quality of life in cities investigate the citizen's perception, opinions, and appreciation about the cities they live in. In 2012, the administrative services satisfied and somewhat satisfied 65% of the Piatra Neamt citizens and 68% of the Cluj-Napoca citizens (European Commission, 2013a, p.95), way ahead of other EU cities we are interested in, such as Budapest (59%) or Sofia (44%). Bucharest and Prague, registered also low values (35%, respectively, 33%). The next period (European Commission, 2015a, p.110), the local

administration significantly improved for the citizens of Bucharest (43% being satisfied and somewhat satisfied) and Prague (47%), Budapest only a slight increase (59%), while the administrative services of Cluj-Napoca, Piatra Neamt, and Sofia register lower values of satisfaction. In the same period (European Commission, 2013a, 2015a) Budapest and Prague improved their living conditions, satisfying a larger proportion of the inhabitants (Prague - 45% in 2015 vs. 38% in 2012, Budapest - 49% in 2015 vs. 43% in 2012) and Bucharest remains almost unchanged (41% in 2015 vs. 40% in 2012).

As an indicator of the quality of the city administration, the responsibility of the living conditions is spread between the central/national and local administration. In Romania, this spread is almost equal, (41% at national level, vs. 40% at the local level) (European Commission, 2012). This means that the living conditions are still in the responsibility of the general public policies. This lowest value (40%) of the national administration impact on living conditions is registered also by Slovakia, Austria, or the UK. The EU average “spread” is 51% to central level and 37% at the local level (European Commission, 2012, p.12).

We consider that direct foreign investment as the most suitable indicator for the purpose of our study because they are long-term oriented, and involve not only financial or material resources but also intellectual capital and new residents.

We analyze the position of Romanian cities among the other European cities between 2012 – 2017 (fdiintelligence.com, 2012, 2014, 2016), in order to have “an external point of view” about those cities. Bucharest is mentioned six times in these reports. In 2012 Bucharest is ranked on the fifth position in Top 25 Eastern European Cities, before Sofia (6/10) and Budapest (8/10), while Prague (20/25) and Barcelona (22/25) are ranked in a larger score of Top 25 European Cities – overall. Bucharest is also mentioned as the ninth city on top 10 business friendliness in 2012/2013 report. In the following period, Bucharest advanced only on the cost effectiveness indicator, as third out of ten major cities and it is expected to save this position in 2016/2017 report, with better results on Top 25 European Cities – overall cities and the seventh position out of ten as business friendliness (fdiintelligence.com, 2016).

Sofia (fdiintelligence.com, 2012) was ranked on cost effectiveness (on tenth out of ten positions – 10/10) and economic potential (9/10) and Barcelona attracted foreign direct investments (4/10) due to its human resources (8/10) and infrastructures (10/10). These inputs help the city to promote the seventh position on top 25 European Cities in 2014/2015 Report.

Budapest also promotes on the first position of Top 10 Eastern European Cities, on the fifth position on Top 10 Business Friendliness and eighth position on Top 10 Foreign Direct Investment Strategy in 2014/2015 Report.

The results reveal, the “external publics” do not express an emphasized interest in Romanian cities. Placing Bucharest and the other Central-Eastern European cities at the same average level should be considered as a solid motivation to use differentiation strategies in order to individualize these cities.

In the second part of our paper, the research presents an insight into the local administration environment on the base of a qualitatively analyze bases on in-depth interviews with representatives of local entities. It reflects the opinions, attitudes, and behaviors of the very inner publics of the local administration about innovation, city branding and marketing and the cities development models and trends. The respondents’ expertise in public administration is reflected by the number of city mayor’s they served under, noted in the brackets.

Considering the recent local elections, the respondents are uncomfortable with any change that might occur in the organizations: “New chiefs, new laws” (R1, 6). There are some “novelties” (not innovations) as results of the local elections: “programs, plans” (R7, 6). Generally, the internal changes are perceived only as “administrative stuff” or “modernization” (R11, 2), sometimes improvements, rarely, very rarely as innovation.

The administration representatives are unanimous in admitting that their work – field of activity – has profoundly changed over the years. But these changes have had an “institutional character, coming from top to bottom” (R4, 3) or even as result of the EU accession strategy - “they were imposed by the EU accession” (R2, 5). The innovation is perceived rather as organizational measures: “re-organization”, “re-structuring”, “effectiveness of organization” (R3, 4), or “legislative improvements” and “EU standards and upgrades” (R11, 2). The EU accession process is considered as enrolling to the general strategy, not as a process or organizational innovation as it might have been considered.

Some of the interviewed persons are aware of the need for innovation as a condition for development (R6, 1; R5, 2; R4, R9, 4). The interviewed persons totally agreed that the city administrations did not have the necessary financing to achieve all their objectives, but “Govern is responsible”, “everything is about resource allocation” (R5, 2; R6, 1). Other funding

sources are considered as “an opportunity to develop the city, it is true, but the procedures are overwhelming” (R11, 2). The difficulty in accessing EU funding is due to “the bureaucracy” and “somehow, it reached up to the govern to launch the procedures” (R11, 2).

Some of the interviewed persons highlighted another innovation barrier: “all the administration need qualified employees” (R10, 5), “people with both vision and experience” (R9, 4), but “the salary is about 300 Euro/month, so, no money, no performance” (R1, 6).

The global city development trends and models seem to be, in the respondents opinion, a matter of “here and there”, or “us and them” (R6, 1; R7, 6). All the interviewed persons agreed that there is a gap – “huge gap” (R3, 4; R9, 4; R8, 5), “big difference” (R2, 5; R12, 3; R4, 3), “other story, other heroes” (R6, 1) – between Romanian public administration, local authorities and “the other world” (R4, 3). The younger ones (R6, 1; R5, 2) are more optimistic about the future – “this country needs a visionary leader” although they are confused about who should assume this responsibility: “whatever or whoever this leader was: President, Prime Minister, entrepreneur, ONG”. All of them have collaborations with similar entities from abroad, mainly from EU, which they unanimously appreciated as “useful”, “interesting”.

The respondents described city marketing and city branding as “the concept may be valuable, but we do not know too much about it” (R8, 5; R7, 6). The practice is something else. The explanation of their attitude consists first in the misunderstanding of the concepts, being considered as a “picture in leaflets” (R8, 5). The cities organized or hosted few important events, but the administration was involved only as the “main partner in charge with financing” (R7, 6). The marketing assignments, according to the interviewed persons, are directed to other departments: acquisitions or investments (R11, 2). These are in charge of market research for any kind of suppliers (goods, services). Even the investments in infrastructure are hardly perceived as a component of the city development strategy (R1, 6).

The respondents are very present-oriented “We are living now, not in the future” (R8, 5; R12, 3)” and they are in doubt about the future “the future is unstable” (R1, 6; R10, 5), “uncertain” (R12, 3). The interviews continued in the same register of “no perspective, no motivation” (R6, 1; R5, 2).

## Conclusions and discussions

The research presents the general “innovation behavior” in Romania. This behavior determines a rather modest ranking of the Romanian cities in EU, both from the point of view of their internal publics – residents, as well as from the external publics – the foreign investors. Also, it might be the result of the rather poor innovation performance of the private sector which does not offer to the public sector the necessary incentives, models or resources.

Romanian behavior in the innovation environment reveals a rather general modest concern about this issue. It seems that Romania does not have the necessary “agility” to leave the lowest level of innovators, as the negative values of the indicators or its constant decline in the last three years have shown to us. This attitude is in contradiction with the general trend toward innovation: year by year, other countries have left this group, being promoted to the upper class of innovators. The negative impact on long-term may be very complex.

Also, the flows of innovation between the private and public sectors are very weak; they do not have the necessary resources to support each other: the private sector with practical innovative solutions that may be borrowed by the private sector and the latter, legislation, fiscal policies or any other public policies that might be helpful.

Romanian cities describe the same average behavior among the other European cities: our cities do not differentiate themselves from the others. The external publics (foreign investors) have a large range of options among others EU cities, so Romanian cities may be left out from the final decision. The internal publics (residents) which are to a significant degree, captive in their cities, are commonly satisfied with their cities.

The research has revealed the emphasized top-down innovation approach, with almost inexistent contribution from the bottom or middle management level. Due to the low salaries, there is no personal, nor professional interest of the employees to innovate, nor the encouragement, nor stimulation for bottom-up innovation.

The interviewed persons hardly perceive the concrete meaning of innovation, as the translation into practice, or even borrowing from other entities, of new ideas, procedures, good practices, etc. that might work for their organization. They would rather use concepts as “modernization” and “upgrading”, or “restructuring”. These interpretations of innovation are exclusively in the state responsibility and they represent European Union

standards or requirements. The interviews reflect a rather neutral attitude about the actual global picture, the strengths, and opportunities.

There are few sensitive points related to innovation. Firstly, the internal resource – frontline staff and middle management – are not motivated, stimulated and encouraged to be creative, to permanently search for new ideas, products or procedures. Their energy is rather wasted due to the low salary. On the other hand, it might also be true, that the creative people work in more rewarding sectors. Secondly, the innovation is introduced through channels. The first channel is a hierarchical one, from top to bottom, on the exact descending chain as dispositions, tasks, job assignments, and being, by consequence, perceived and assimilated with new tasks and responsibilities. The second one, it is the channel from the European Union to Romania and from there to local administration, considered as the enrolment to the European Union standards. These weaknesses are related to the less expressed interest for innovation at the general level, in Romania, as pointed out by the secondary data analyses.

The modest ranking should energize the efforts of all stakeholders in order to better and more efficiently support the innovation process, as well as the result of R&D activity or any other source it might have, and its transfer from one sector to another, from one business to another. This effort should be carried out not only by the local administration but also by the community as a whole, through developing partnerships, new financing models, etc. Innovation requires also the contribution of the employees or middle management, not only the external environment (European Union regulations, central decisions, and laws, etc.). So, there should be identified new ways to stimulate the human capital to be more creative. Marketing offers large opportunities for innovation, so, it is recommended to reconsider its position in the internal chart of the local administrations, as a component of the strategic management.

Certainly, the local administration in Romania has changed. Certainly, the public administration has successfully passed two phases: the adaptation to the democratic state and, secondly, to the European Union status.

Public administration is a dynamic sector, and its modernization is a common sense process. Internally, every four years, the new leadership should bring changes addressed both to the internal as well as the external publics, respectively stakeholders. But in a greater picture, new theories and practices have occurred grouping cities in clusters, communities or any other inter-regional cooperation in order to better serve their citizens. This is a gap between the internal short-term focus and the larger picture. How to fill in this gap remains an important issue.

In the local administration, the discourse is focused on “resources allocation”, as something granted from outside to the inside, according to certain criteria, sometimes vaguely argued. The marketing departments are involved mainly in more punctual tasks, with no larger or strategic views. As a conclusion, there is not a proper understanding of marketing as a component of the strategic management of the city. The internal publics – employees, frontline staff or middle management – do not find the reason, right motivation to be creative, to innovate in their line of work.

The preoccupation for innovation in local administration is, finally, projected in the ranking of the Romanian cities among the other European Union cities. This situation is becoming even rougher if we consider the global position of Europe both as a unique entity, as the European Union, as well as the size of its cities. Even more, the concept of competition among cities on the European market is not correctly processed. The differentiation of cities is crucial now, after BREXIT. Many important production or services companies will be looking for relocation inside the European Union, in order to preserve their competitive advantage, not only as fiscal conditions but as labor force and human capital. It could be now the same process of “relocation” that took place in the ‘70s – ‘80s when Western European and US companies “invaded” China. Romania is the second largest country, after Poland, from the Central Eastern Europe, with rather cheap labor force and high qualified human capital. “The market” itself, as a concept, should have a larger meaning, and the European Union should be considered accordingly.

Irrespective of the globalization stage and how the world establishment will evolve, the wide series of models, trends and practices of cities management this paper has presented are nothing else but proofs that cities have all the necessary instruments and capabilities to rule themselves in a global or European market, to properly enter “the age of cities” (Chirico, 2014, p.452).

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