Location strategies are becoming a key factor in how businesses can compete in the digital age. Business leaders and city planners can encourage development of smart, open city ecosystems that will become epicenters of game-changing innovation and creativity, spurring start-ups and established businesses alike to succeed in the digital era.

By Michael M. Cook
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Executive Summary

The cornerstone of our modern existence – the city – is changing. And with this change comes new waves of opportunity for organizations.

The first industrial revolution in the late 18th century gave rise to mass migrations of workers from rural settings to urban locales. Fast-forward 250 years, and 54% of the world’s population lives in urban areas, and this is expected to increase to 60% by 2030. The city – in part as a consequence of its own success – is now on the cusp of a huge period of change as local governments, city planners and residents look to continue building on urban strengths while mitigating the inarguable downsides.

Central to this next wave of city development are technologies such as artificial intelligence (AI), automation, mobile enablement, the Internet of Things (IoT) and cloud computing. Digitally inspired change will be at the heart of the story of cities all around the world over the next 50 years.

To better understand how cities can be both catalysts for and beneficiaries of innovation, we conducted in-depth interviews with five leading experts in the fields of urban design, development and architecture (for more information, see the acknowledgments section, page 17). Through these interviews, we examined the interplay among organizations, municipalities and individuals in creating and working in smart, open city ecosystems. It is these ecosystems that are emerging as epicenters for the talent, creativity and innovation that will drive the pace of change in the Fourth Industrial Revolution.

Our key findings from these interviews include:

• **A centrally located headquarters isn’t always the best place for innovation:** As organizations seek to spur innovation and attract needed talent, they’re colocating teams with start-ups and creativity hubs whose culture aligns with their goals. By sidling up to these outposts of innovation, they’re enabling the cross-pollination of ideas and work practices in a way that wouldn’t be possible inside “the mothership.”

• **Don’t just collocate; integrate:** Simply moving closer to clients, partners, employees and start-ups isn’t sufficient; workers need to actually interact with these stakeholders to gain the benefits of colocation. By establishing congregation areas outside of the office, city planners can encourage chance encounters and foster interpersonal communications among a wide swathe of workers in the environs.

Digitally inspired change will be at the heart of the story of cities all around the world over the next 50 years.
• **Culture wins:** To turn these interactions into something meaningful to the business, organizations need to choose a location whose culture encourages a collaborative mindset and an agile way of working and partnering. We are seeing organizations base their location strategy more on desired culture than on industry assimilation. Companies that might have traditionally chosen Silicon Valley as their home, for example, are now settling in Las Vegas, Portland, Ore., Austin, Tx., and even Phoenix, Ariz. While some of this movement is being driven by the lower cost of living in these locales, the escape from a high-cost area can also radiate a new vibe that attracts a different type of worker and encourages experimentation with new business, employment, culture and work models.

• **Smart cities are those that share data:** Smart cities in and of themselves won’t drive innovation and collaboration; their data, however, can spur improvements in efficiency and productivity within the cityscape. To encourage this, cities need to open up their data to the private sector, which can then produce and sell smart city applications, enabling capabilities that elude most municipalities.

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COLOCATE TO INNOVATE

The places in which we work are changing dramatically. Just 20 years ago, the offices of large organizations were mainly clustered in capital cities or economic hubs, often in industry-specific regions. From London’s banking district or New York City’s Wall Street, like-minded organizations flocked to these districts to get close to the action, and clear lines were drawn between industries. Work took place almost exclusively within the four walls of these offices, which were characterized by a sea of nondescript cubicles, with leadership cocooned in isolated suites.
Back then, offices were simply a place for employees to congregate and create output, much of which revolved around the fulfillment of rote tasks – think of manual invoice processing within an accounts payable department.

Now, however, we see a rapid change. Work is beginning to disperse away from these predefined urban areas, as businesses seek colocation with sub-sectors of needed talent. Start-ups and innovation centers are now springing up where the requisite talent and culture are, such as the emerging digital hubs in cities such as Bristol in England, Madrid in Spain and Lisbon in Portugal.

The shift to digital, the rise of data and the growth of platforms, AI and automation, coupled with economic growth, has fueled an intense talent war, with organizations struggling to fill vital digital roles in areas such as big data, analytics, AI, robotics, creative, social media and digital strategy. As such, companies are increasingly attracted to regional talent hubs within tier-1 and tier-2 cities around the world in which they can nurture start-up-like teams within their business.

In the UK, organizations such as Barclays and even the HM Revenue & Customs have moved internal innovation units away from central London and into smaller cities, such as Newcastle and Bristol. The reasoning: Intrapreneurial teams often benefit from working outside the influence (and constraints) of the “mothership.” Additionally, the cultural difference within these new locations can facilitate fresh thinking.

In many cases, these locations are chosen with colocation in mind, whether with an existing tech community or the company’s partners, customers and suppliers. In our recent study on the changing workspace, respondents made clear that colocation is a major catalyst for innovation (see Figure 1). By ensuring proximity to desired talent and key partners, these organizations hope to encourage smoother and more meaningful interactions among these parties and establish the creative tension needed to drive next-level thinking.
COWORKING ON A CITY-WIDE SCALE
The interest in colocation is inspiring the emergence of business clusters – a geographic concentration of interconnected businesses, suppliers and associated institutions in a particular field. Such clusters are popping up across the globe, in areas such as Detroit, Mich., the Bay Area in San Francisco and Dubai’s Science Park, which serves the country’s entire science sector. By bringing together market leaders and start-ups in specific industries, these clusters increase the competitiveness of participating organizations on a global and local scale.

Given the economic benefits involved, city planners need to prioritize the factors that attract customers, partners and organizations into common areas. While establishing a business cluster solves a piece of the colocation puzzle, however, urban developers also need to consider the human element of innovation – the ineffable quality that electrifies an area with productive energy. For that, cities can look to the burgeoning area of the coworking model, characterized most famously by coworking space leader WeWork.

Entrepreneurs, start-ups and skunkworks teams from established organizations are flocking to the social, flexible office space model. By bringing together numerous workers from multiple areas of expertise, industrial and cultural fields, coworking spaces create “positive friction,” a concept used by Google in its office design and a proven precursor to innovation. Investment in this area bears this out, evidenced by Softbank’s $4.4 billion investment into WeWork at the end of 2017.

Forward-thinking city planners are adopting some of the principles of coworking spaces by creating multiple-use areas that create positive friction by combining leisure, shopping and business activities.

The impact of coworking spaces can now be felt on the city stage, where the area immediately surrounding these flexible work spaces often serves as an ecosystem for innovation, inspired by the resulting diversity of workers and industries.

Forward-thinking city planners are adopting some of the principles of coworking spaces by creating multiple-use areas that create positive friction by combining leisure, shopping and business activities. These open spaces are designed for public congregation, ease of mobility and fluidity of movement among citizens engaged in leisure and work activities.

Barcelona, for example, is in the process of implementing anti-zoning laws in an effort to reduce pollution, decrease noise levels and create “citizen spaces.” The government plans to reduce traffic in the city center by 21%, and free up road space currently occupied by automobiles. Such initiatives create more opportunity for free pedestrian movement among work, living and social spaces, and allow for a cultural emergence among workers and city inhabitants.

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Manchester Then and Now

To further encourage positive friction in citizen’s daily lives, Barcelona’s newly developed urban area, called 22@, is establishing multi-use buildings that combine accommodation, office space and retail, driving the notion of anti-zoning into individual buildings. The downtown area of Manchester, England, is being rejuvenated through similar means.

Fluidity is a key characteristic for work in the city landscape, and as an organization distributes work around a municipality, workers need common areas of collaborative space between the office location and the wider ecosystem (clients, partners, peers, competitors, etc.). Therefore, coworking office space and mixed-use environments both have a role to play in city design.
Quick Take

The Democratic City

More than ever, citizens want a say in how their city evolves and how the culture emerges. And their voices are been heard; consider the referendum undertaken for the Olympic games in Hamburg in 2015. The proposal was rejected by 51.6% of voters, thereby nullifying the advance planning that had already gone into hosting the games. This is indicative of residents’ rejection of the long-held notion of top-down urban design.

To prevent malicious or needless restriction of development, the platform establishes a trusted community of “makers,” creating a viable compromise between a bottom-up and top-down approach to city planning.

The democratization of city planning can also have numerous advantages, as well, as seen in the digital platform TransformCity, started by ex-architect Saskia Beer. This platform gives citizens an inclusive say in the design and development of city space. To prevent malicious or needless restriction of development, the platform establishes a trusted community of “makers,” creating a viable compromise between a bottom-up and top-down approach to city planning. Additionally, it just makes sense to empower the very people whose culture is impacted by city design, given that the aim of business ecosystems is to drive economic development through culture.

Ultimately the concepts of a culturally centered, democratically designed urban business ecosystem extrapolate into what is termed an “Open City.”
SMART CITIES
FOLLOW THE DATA
In our workspace study, we explored two different types of work that exist in offices: blue work (creative, innovative work) and red work (rote, repetitive tasks). Likewise, the way people move throughout a city can also be thought of in terms of red and blue movement. Blue movement would encompass social interactions, networking, collaboration and innovation activities that workers engage in. Red movement, on the other hand, is the commuting, administration and general tasks citizens perform on a daily basis.

While blue movement can be enhanced by initiatives related to business clusters, colocation, democratized planning and multiple-use areas, the forces that revitalize red movement are intelligent digital technologies.

Think of a fully connected smart city infrastructure that alerts visitors to the quickest pedestrian routes based on footfall, traffic light timing and sidewalk conditions, or a prescriptive analytics capability that provides alerts to the imminent failure of connected utilities. In addition to increasing efficiency and productivity, such tools can also be a key factor in supporting fast growth. With cities such as London expected to grow by 1.5 million residents by 2041, planners need to streamline traffic, foot flow and utility management to maintain a harmonious and fully functional city.

By taking an open approach to data sharing, municipalities can encourage the private sector to develop apps, resulting in enhanced experiences made possible through market competition.

To gain the true benefits of a smart city, municipalities need to begin sharing their data, be it on living conditions, infrastructure, public services or transport. Helsinki in Finland was among the first cities to openly share its data, including procurement data, aerial photos and postal code areas. Finland’s Tampere is another great example, as numerous applications have been launched from its open smart city data hub, addressing smart mobility, smart buildings and even applications for resident input on city design/functionality. For example, the backbone of smart public transportation in Tampere will be the tramway running through the city by 2021. The busiest points along the tramway will be turned into mobility hubs that will have robotic bus feeder traffic for the tram, informative tram stops, and both physical and digital services that enable a smooth-running experience.

By taking an open approach to data sharing, municipalities can encourage the private sector to develop apps, resulting in enhanced experiences made possible through market competition.

Ultimately, the creation of a smart city is not an endpoint in itself but is, instead, a facilitator of efficient, productive and safe movement within municipal borders that contain a smart ecosystem. It is these ecosystems that will ultimately power innovation and collaboration in the Fourth Industrial Revolution.
LEVERAGING THE CITY FOR FUTURE SUCCESS
Cities are becoming synonymous with digital innovation hubs, providing access to talent and ideas. As a result, the space in which we work matters more than ever.
When formulating a location strategy that fosters innovation and collaboration, organizations should focus on the following:

- **Flock to talent and culture.** Organizations need to situate innovation-minded teams in a location whose culture and talent base is conducive to their business goals, whether that’s in a smaller city away from headquarters or in an area of the capital city where their headquarters resides. Either way, the movement away from the mothership can be a vital catalyst in spurring new ideas and thought processes that are sometimes squelched by senior management teams.

- **Consider the human in the worker.** To truly benefit from the cross-pollination of ideas among industries, partners and clients, workers need the ability to directly experience the cultural vibe inside and outside the office. Locations that allow for a mix of leisure and work activities inspire opportunities for chance encounters and positive friction. Also, areas that combine these elements are more attractive for workers to mingle, even after office hours.

- **Make movement a priority.** Organizations need to focus on areas that allow for fluid movement, especially when colocating multiple offices in a single city. In addition to easy access to transportation, this also means paying attention to where workers, clients and partners in the local area could collaborate outside the office. “Linking areas” should be scoped out, with multiple locations available for effortless meetups, including café’s, restaurants and coworking spaces.

- **Follow the open data.** In our workspace study, 43% of business leaders are looking to move to cities with a compelling smart city vision. By opening their data and allowing for the creativity borne of the private sector, smart cities can operate as catalysts for productivity, efficiency and quality of life for workers.

**A Final Word**

The benefits of fine-tuning an organization’s location strategy go beyond increased productivity and efficiency or anecdotal reports on inter-company/inter-industry collaboration. When properly constructed, these ecosystems can become epicenters of game-changing innovation and creativity that will spur start-ups and established businesses alike to succeed in the digital era. Digital titans such as Google realize this and in many ways are assisting in the development of these ecosystems by setting up a presence in these areas, which then has the effect of attracting start-ups and established organizations alike.

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*For more on this topic and other points of view, visit us at [Cognizant’s Center for the Future of Work](#).*
Footnotes


10 Kristian Wasen, Innovation Management in Robot Society, Routledge, March 12, 2015, https://books.google.co.uk/books?id=ic8qBwAAQBAJ&pg=PT203&lpg=PT203&dq=positive+friction,+innovation&source=bl&ots=RkJtBm7mT&sig=ApToFN6oo85OIFVyd_jdZQ2imsyhl&sa=X&ved=0ahUKEwi3ifOM27TaAhXIC8AHdgalement&f=false.


15 TransformCity website: https://www.transformcity.com/.


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Michael M. Cook is a Senior Manager in Cognizant’s Center for the Future of Work in EMEA. In this role, Mike identifies the changing dynamics that will shape the business ecosystem of the future, and delivers original research and analysis of work trends in Europe. Mike also collaborates with a wide range of technology thinkers and academics about what the future of work will look like as digital changes many aspects of our working lives. Mike is an established speaker with broad experience across the services market, including customer experience management, buy-side advisory, talent and workforce solutions, and cybersecurity.

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Acknowledgments

The Cognizant Center for the Future of Work would like to thank Oxford Economics for its research assistance and the following experts for their time in interviewing for this study:

- Jarmo Eskelinen, Chief Innovation and Technology Officer, Future Cities Catapult
- Eliot Postma, Architect, Heatherwick Studio
- David Gann, ex-Chairman, Smart London Board
- Kees Christiaansee, Founder, KCAP
- Mike McNicholas, Managing Director, Atkins
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