

20th International Scientific Conference Economics and Management - 2015 (ICEM-2015)

City attractiveness for investment: characteristics and underlying factors

Vytautas Snieska^a, Ineta Zykiene^{b,*}

^{a,b}*Kaunas University of Technology, K. Donelaičio st. 73, Kaunas LT-44239, Lithuania*

Abstract

The main purpose of the paper is to distinguish theoretical characteristics of city attractive for investments and to prove these attributes by investigating the judgements of enterprisers. This paper is based on systemic, comparative and logical analysis of scientific economic literature, the survey method for drawing practical results.

The description of investment attractive city and the factors forming the investment attractiveness are provided in this research. Summing up the theoretical and identified by the entrepreneurs characteristics of the city's attractiveness for investment, it can be said that in many cases the choice of the city for investment is influenced by the accessibility of skilled workforce and its costs, the resource price and competition in the market.

© 2015 The Authors. Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of Kaunas University of Technology, School of Economics and Business

Keywords: Investment attractive city; City infrastructure; Investment attractiveness characteristics; Investor based assets; Positioning investment attractive city.

Introduction

The role of cities is increasing within the regional, national and global economic environment, making the problem of gaining and maintaining urban attractiveness and competitiveness still relevant, especially when facing the situation of economic instability. Shaping the attractiveness for investment by creating economic value in urban areas has not been comprehensively analyzed in modern literature, and the investment attractiveness evaluation methodology has not been developed. The evaluation of the city's attractiveness for investment would

* Ineta Zykiene. Tel.: +370-37-300576.
E-mail address: ineta.zykiene@ktu.lt

allow determining close links between specific factors and provide recommendations and suggestions for enhancing and maintaining the attractiveness for investment, as well as for positioning the city attractive for investment. This article presents theoretical characteristics of a city attractive for investment; they are compared with practical arguments, identified by executives of Alytus city business enterprises, and recommendations for strategic positioning of the investment attractive city. The article is based on systemic, comparative and logical analysis of scientific economic literature and the survey method for drawing practical results. Alytus city has been chosen because it is one of the seven centers of regional growth, which, during the period of 2008-2013, received the biggest amount of the EU financial assistance funds (103.639.508 LTL), i.e. most of the effort was directed to promote the development; and which, based on municipal indexes of 2014 provided by the Lithuanian Free Market Institute, rated in the 5th position (the first of smaller cities, following Klaipeda, Vilnius, Kaunas and Panevezys). In addition, compared with centers of regional growth, during the period of 2011-2014, Alytus city had the largest number of enterprises, and this number had a tendency to grow.

1. The concept of investment attractiveness of the city

The transfer of competition from the price level to the level of quality due to globalization, the urban struggle for investment has intensified since the investors' expectations have basically changed – complex goals are pursued: seeking for inexpensive but also productive workforce, focusing on technological competence, the local demand is supposed to increase the local or regional market share, a reliable physical infrastructure, effective public governance and a stable political and institutional environment is required. Requirements for the target locations are increasing – focusing not only on economic indicators, but also on the attractiveness of the socio-political environment: encouraging an active development of the local and regional markets, ensuring a stable macroeconomic and political environment, pursuing the institutional and legal stability, creating conditions for the transfer of knowledge by raising the employees' qualifications. Analysis of the problem on the city's attractiveness for investment requires an extended perception of urban functions: the recent prevailing trend of the cities' transfer from the centers of production and consumption to become urban centers of creativity and consumption, thus broaden the understanding of the city's attraction that it is designed only to work and live (Hallward-Driemeier, Wallsten & Xu, 2003).

Investment attractiveness is one type of attractiveness targeted to attract business to a specific location. Attractiveness in the scientific literature (Zykiene & Snieska, 2011) is perceived as the city's available resources, the city's ability to maintain them and attract the new ones, thus gaining an advantage with respect to other cities and ensuring the city's development. This definition of attractiveness implies that it is a cyclical process (Servillo, Atkinson & Russo, 2011, Zykiene & Snieska 2011), as an attractive city attracts and maintains specific target groups in the city (new residents, tourists and investors), i.e. the outcome of attractiveness becomes a contribution, which further determines the result. In addition, the scientists approach the investment attractiveness as a dynamic process, since it involves a continuous ability of a location to generate and manage the attractiveness and large multinational companies' intentions to invest in other locations (Michalet, 1999). Investment flows become the consequence of confrontation: the target location succeeds to convince a potential investor on the benefits of taking advantage of its attractiveness.

Investment attractiveness is an exceptionally important characteristic for each city, as a business friendly environment creates conditions for job creation, increases the population's employment and income levels and encourages them to invest in their well-being, thus determining the economic growth. Accessibility of a skilled workforce enables to build and develop innovative businesses and generate the city's value added, thus determining a competitive advantage over other cities (Bruneckiene, Cincikaitė & Kilijoniene, 2012). The attractiveness for investment is focused not only on the start-up of new businesses in the city; the development of a business friendly environment encourages the entrepreneurs, already operating in the city, stay in a particular city, develop their established business and pursue the results acceptable to them. This aspect is related to social factors of the city's attractiveness, because entrepreneurs are interested in keeping their qualified professionals and, when developing business, attract new employees who might stay to live in the city where the company operates. Scientists agree that generating profit is no longer the only goal for companies – in such a case, while evaluating the investment friendly location, entrepreneurs exclusively focus on the reduction of risk and costs. The environment favorable to

Download English Version:

<https://daneshyari.com/en/article/1109079>

Download Persian Version:

<https://daneshyari.com/article/1109079>

[Daneshyari.com](https://daneshyari.com)