

Innovation and creativity strategies in Helsinki Metropolitan Area – reinvention of regional governance

1. Introduction

Helsinki has been successful in many recent international city comparisons concerning competitiveness, research and knowledge and quality of life. However, whole national economy of Finland including Helsinki region was struck by a severe recession in the beginning of the 1990's. The strategic emphasis on innovation, knowledge based development and creative economy can be interpreted to be a decade long process which is still developing further. In this paper I describe the strategic actions of mainly public actors in Helsinki during 1995-2005 emphasising the latter part of the period and especially the rise of regional governance. I argue that building a creative city is a long process which is linked to wide area of actors and public services. Preconditions for making of physical and social spaces of creativity are investments, learning, trust and negotiation. This paper is based on authors experience in working in urban policy projects and programmes in Helsinki region.

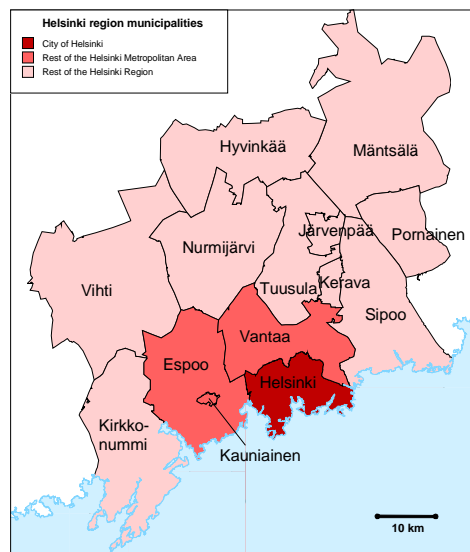
2. Description of Helsinki

Helsinki region consists of 12 municipalities and 1.2 million habitants (Fig. 1). The core of this functional urban region is Helsinki Metropolitan Area which includes cities of Helsinki, Espoo, Vantaa and Kauniainen totalling 980 000 inhabitants (Fig. 2). City of Helsinki is the capital of Finland with 560 000 inhabitants. Finland has 5 million inhabitants and Helsinki region is the main urban region. One third of the national gross value added (GVA) is produced in the Helsinki region. The service sector employs 79 % of the workforce in Helsinki (32 % public services, 47 % private services) and manufacturing the rest 21 %. In 1995-2002 the population growth has been 1.25 % per annum. (Laakso & Kostainen 2004).

Figure 1. Helsinki in European Union.



Figure 2. Helsinki Metropolitan Area and Helsinki Region municipalities.



Source: City of Helsinki Urban Facts

Life expectancy in Helsinki is 76.8 years (80.1 for women, 72.8 for men). 21 % of 15 years olds or over have polytechnic or university education but 33 % have only basic education. Almost half of all households are one person households. Housing is high standard, 94.2 % of households have all amenities including central or electric heating. However, housing density is 33.4 m² per person which is low in European comparison.

High quality public and welfare services are typical for City of Helsinki and the region. Residents are offered day care centres, youth work premises, comprehensive schools, upper secondary schools, vocational schools, polytechnics, health care centres, hospitals, old-age homes and service houses. Residents can enjoy public theatres, orchestras, libraries, museums and adult education centres. City offers recreational trails, jogging tracks, swimming halls, stadiums, skating rinks, beaches and boat moorings. Public transport system offers buses, service buses, trams, subway and trains.

Challenges for the development of Helsinki Region are

- Maintaining the position in global competition through high competence
- Unemployment and jobless growth
- Growth of elderly population and lack of workforce
- Economical balance of municipalities for guaranteeing public services
- Small amount of housing production and high housing prices

3. Finnish context: late urbanisation and operation of municipalities

By 1950, the Finnish population exceeded four million, 30% of Finnish population lived in the country's 65 towns. Finland was still clearly an agrarian country, with more than 40% of the population earning their living from primary production.

Post-war demographic changes have been quite radical in Finland. In ten years, urban population figures increased by about 600 000 and the urbanization rate went up from 38.4% in 1960 to 50.9% in 1970. The primary growth areas were municipalities in the Helsinki area and the major provincial towns. Nowadays a total of 4.3 million Finns, 82.3% of the population, live in urban communities.

Finnish municipalities have strong self-government rights. The Finnish Local Government Act (1995) states the basic mission for municipalities: "Local authorities shall strive to promote the welfare of their residents and sustainable development in their areas." Municipalities can perform the functions laid down for them by law either alone or in cooperation with other local authorities. They may also secure the services they need to perform their functions from other service providers.

Municipalities have the right to collect taxes. Councils can decide on percentages for income tax and property tax in the local authority. National average for municipal income tax was 18.04 % in 2003. On average 53 % of the income of the municipalities comes from this tax. Rest of the income comes mainly from corporation tax from the national government and from the payments of some services.

In Finland municipalities are responsible for most of service production like comprehensive schools, upper secondary schools, day care, health and social services and care for elderly. These and many more services employ large share of the workforce. Also major amount of real estate is needed. Major state organised services are universities and employment offices.

Finnish municipal activities are very much service production oriented. Councils decide strategic goals. Municipal board implements council's decisions. Departments produce or buy services for citizens. 32 % of municipalities' budgets go to service purchasing from service providers. Operational activities in municipalities and departments are typically organised and administrated much the same way than in private sector.

In City of Helsinki management by results has been used from 1991. Result based management systems include numerically and qualitative defined goals for departments. Effectiveness is expected to raise yearly. Balanced scorecard system is used in the management. The European Foundation for Quality Management (EFQM) model and criteria is used in many departments. Also result based bonus systems are used to encourage employees to work according to the strategic goals and more effectively. In 2004 27% of the 38 800 employees of City of Helsinki were within the bonus system (10 400 / 38 804).

4. Strategy development in Helsinki in 1995-2005

4.1. Strategic administration evolves

After the severe recession in the beginning of the 1990's City of Helsinki formulated new strategies. The so called common strategies of City of Helsinki were first time formulated and approved by City Council in 1997. This was a major turning point in strategic thinking. Before that the municipal actions were planned sectorally by traditional budget planning method aimed to service production for citizens. The budget planning is still important but visionary and strategic thinking is now the driving force.

Also national legislation affected to this change. The Finnish Local Government Act was renewed in 1995. According the law operational and financial targets for the local authority shall be approved in council together with the budget and three year financial plan. The key task for the council is to decide on the main operational and financial objectives.

On regional level the strategic thinking was developed in Helsinki Club. This was a think tank which was called together by the Mayor of Helsinki Mrs. Eva-Riitta Siitonen in 1996. Its members were mayors from the metropolitan area, rectors from universities, leaders of business and religious communities. In that time there was no regional cooperation between

elected politicians of municipalities. Helsinki Club discussed about the role of Helsinki Region and its competitiveness in new Europe. Club prepared three strategies for region and published in 1997 a report called Success Strategies and Partnership Projects in Helsinki Region. This document was the first seed of regional strategies. Many partnerships projects from that report have been realized.

In 2002 it was time for the Helsinki Club 2. It was organized again same way by invitation from the Mayor of Helsinki. It formulated a common vision and four strategic lines for the region. These were published in 2003. This time also the political debate began. The ideas of the Helsinki Club 2 were used later when politicians were constructing common strategies for the region.

4.2. Strategic emphasis

There have been three major strategic emphases which have been crucial in developing Helsinki to a creative city. City Council has emphasised knowledge base, culture and internationalisation. These strategic areas have been implemented both by basic welfare services and by specific urban policy projects.

4.2.1. Internationalisation

Internationalisation strategy was approved in 1994. City organisation has been active in international activities. In mid 90's Finland joined to the European Union which meant new opportunities for Helsinki. Departments have been working with other European cities in hundreds of European Union funded projects. Most of the EU funding is targeted for cohesion and to the less favourable regions. Helsinki is the wealthiest area in Finland. Therefore the EU funding has not been so crucial in terms of amount but it has been an important seed funding for international cooperation. Learning and exchange of information and best practices has been a key task for many EU projects in Helsinki.

City of Helsinki has been active in international organisations. Mayor of Helsinki was president of the Eurocities in 2001-2. Eurocities is the network of major cities in Europe. It brings together the local governments of more than 120 large cities in over 30 European countries. Mayor of Helsinki was also the president of the Union of Capitals of the European Union in 2001.

All city departments are also internationally active on their areas. City departments and personnel are encouraged to join international activities and organisations of their specialist areas. City also tries to apply international events and conferences to be held in Helsinki. These international activities are considered to be an effective way for learning and developing new ideas which are basic ingredients for increasing creativity.

4.2.2. Culture

Helsinki was one of the Cultural Capitals of Europe in 2000. This cultural project was a partnership project between city and neighbouring municipalities, cultural actors and organisation, business life and state. When Helsinki prepared its application for the title of Cultural Capital 2000, arts and culture started to be integrated into urban policy.

Many of the events initiated during the Cultural Capital Year – which coincided with Helsinki's 450th anniversary – eventually became permanent practice in day care centres, homes for the elderly, youth centres and playgrounds. The neighbourhood festivals formed a network

called Stadin kansanjuhlat (the people's festival of the City). In terms of economy-performance ratio, the arts, culture and leisure sector has become more efficient in the 2000s than ten years earlier. This applies to the Cultural Office, the City Library, the Helsinki Philharmonic, the City Museum and the City Art Museum. (Arts and Culture in Helsinki 2005)

Many new festivals came about around the Millennium, when a new generation of festival makers entered the stage. This new generation moved freely over international networks and was very well acquainted with its field – many were artists themselves. The Cultural Capital year 2000 also contributed to the birth of new festivals by bringing together potential festival creators. In addition, the IT boom had boosted the media business, which encouraged many artists to take up new experimental projects. Locally in Eastern Helsinki about ten years ago the advertisements for cultural events on the pages of a local newspaper started to grow significantly and the growth accelerated even more with the Cultural Capital year 2000. Eastern Helsinki became the area of abundant cultural activities and this development rolls on. (Arts and Culture in Helsinki 2005).

In 2001, the aggregate turnover of cultural sector businesses in Helsinki amounted to €4.8 billion, making up 9.2 per cent of aggregate turnover in all industries in the city. Business premises in the arts and culture sector are typically smaller than the average both in terms of personnel and turnover. They employ 5.6 people on average and have an average turnover of €1.05 million. In Finland as a whole, the arts and culture sector provides 4.4 per cent of total business turnover. Thus, the sector plays a much more important role in the capital than in the rest of the country. In fact, Helsinki has 40 per cent of aggregate arts and culture turnover and 38 per cent of aggregate arts and culture personnel in Finland. (Arts and Culture in Helsinki 2005).

Overall, the arts and culture sector is a major employer. In December 2001, there were 31,788 people in Helsinki and 38,968 in the Helsinki Metropolitan Area who earned their living in this sector. Arts and culture provided 8.5 per cent of all jobs in Helsinki. The corresponding figure for the whole Metropolitan Area in late 2001 was 7, which was clearly above the national average of 4 per cent. (Arts and Culture in Helsinki 2005).

4.2.3. Knowledge base and economy

The foundation for creativity and knowledge based economy is in lifelong learning. Extensive public education system from day care centres to universities gives opportunities for all population groups to develop their capabilities. Basic services have to be improved on strategically important sectors by specific measures.

In 1995 main actors in the region grounded regional development corporation Culminatum Ltd. It is owned by cities of Helsinki, Espoo and Vantaa, the Uusimaa Regional Council and the universities, polytechnics, research institutes and business community of Helsinki region.

The main function of Culminatum Ltd Oy is to manage the Centre of Expertise Programme within Helsinki Region. This programme is part of a national regional policy partly funded by the Ministry of Interior. This programme promotes utilisation of the highest international standard of knowledge and expertise in business, job creation and regional development. The aim of the Centre of Expertise Programme is to develop selected fields of expertise into both nationally and internationally powerful new sectors for the Helsinki Metropolitan Area over the programme period from 1999 to 2006. Currently it has six areas of actions:

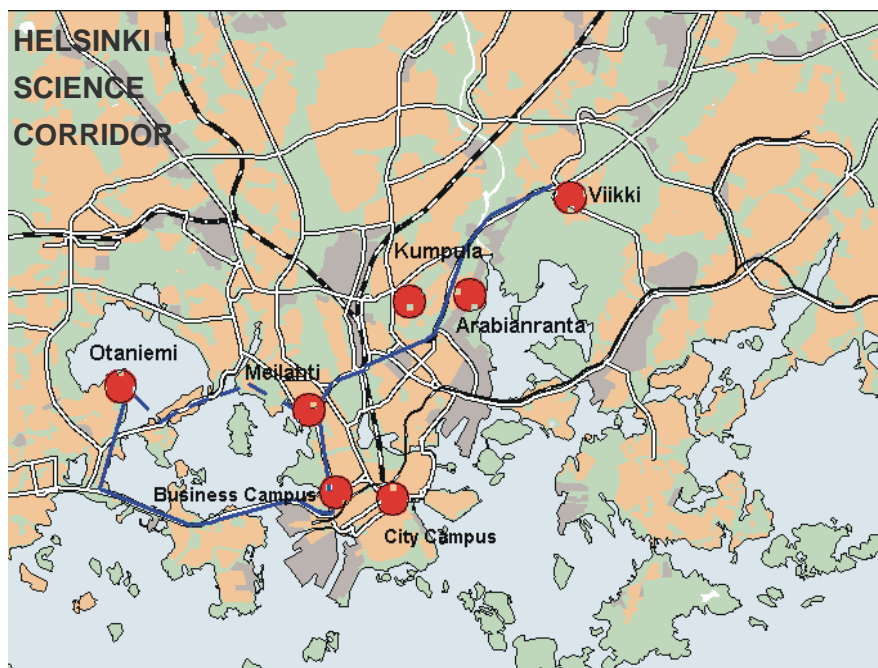
- Adaptive Materials and Microsystems
- Gene Technology and Molecular Biology
- Centre of Expertise for Digital Media, Content Production and Learning Services
- Centre of Expertise for Logistics

- Centre of Expertise for Medical and Welfare Technologies
- Software Product Business

Centre of Expertise is fostering effective operating conditions for businesses in Helsinki region in mentioned sectors. It encourages the creation and development of business operations. Centre develops and applies quality management practices promoting the commercial viability and profitability of start-up enterprises. There are measures focusing on enterprises directly or through projects affecting the entire sector. The Centre of Expertise supports profitable business operations by arranging events, training and research activities.

The City of Helsinki has worked actively with universities in Helsinki Region also in other ways. There are regular discussion contacts and committees between mayors and rectors. Cities in the region, universities and Ministry of Education finance together ten professorships in urban studies. There is cooperation in student housing, transport and campus development. One example is the concept of Helsinki Science Corridor where campuses and science parks are seen as a network which will be connected to each other with various methods (Fig. 3). Also international comparisons have been made to learn corresponding methods of university cooperation in other cities. (Co-operation and Local Partnership... 2003).

Figure 3. Helsinki Science Corridor.



Source: City of Helsinki Urban Facts

4.3. Regional integrative urban policies

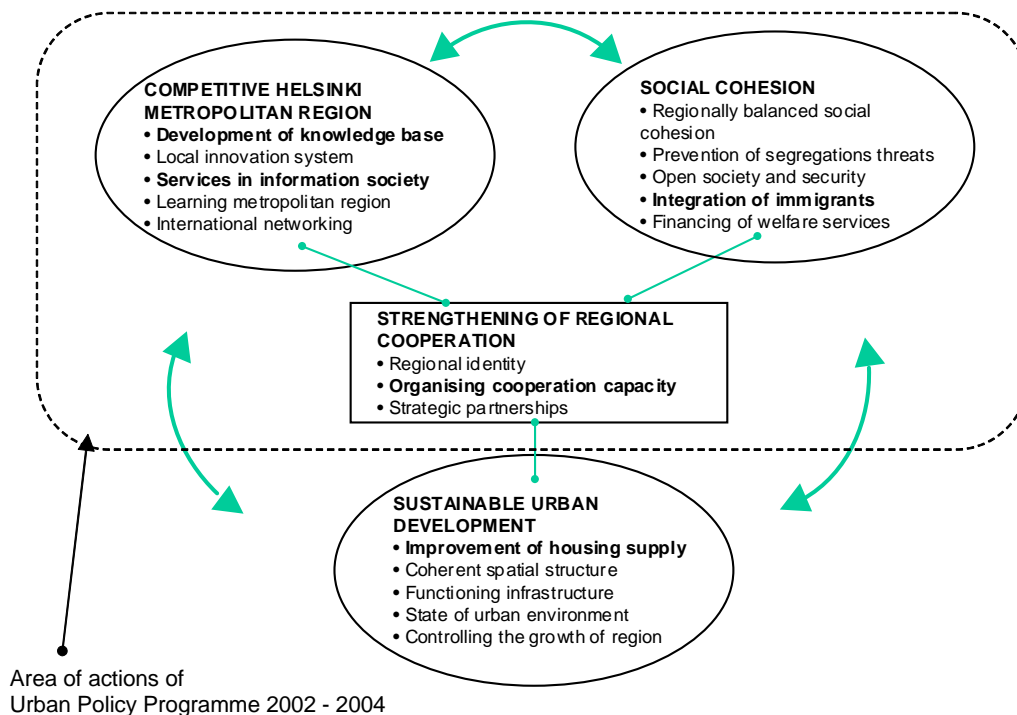
4.3.1 Urban programme

The Urban Programme for the Helsinki Metropolitan Area has been implemented from 2002 to 2004. The aim is to strengthen the competitiveness, knowledge base and citizen participation in Helsinki region. The process has been started by the Mayors of the four cities in Helsinki region. Programme implements joint development projects in the region and develops cooperation procedures among the cities and towns in the region. There were 20 projects in programme project portfolio in period 2002-4. Their budget was 2.1 million euros.

The projects were mostly research and development projects or pilot projects to study possibilities for further actions. The Ministry of the Interior supports the implementation of the programme by covering some 50% of the public funding allocated to the programme.

The idea of urban programme was to complement the on going urban policy actions and especially strengthen regional cooperation. When programme was planned a method of strategic map was used (Fig. 4). The colleagues in City of Vantaa had been using strategy map when formulating city's strategy. The strategy map aims to illustrate major challenges of the region in visual form. Strategy map can be used as a combined tool to analyse the challenges, to discuss strategic options and later to evaluate actions.

Figure 4. Strategy map of Urban Programme.



Source: City of Helsinki Urban Facts

The Urban Programme for the Helsinki Metropolitan Area had three lines of action:

- Strengthening of high competence and multidimensional knowledge base
- The learning metropolitan region – strengthening of individual competence through social means
- Strengthening of social inclusion, participation and social cohesion

The results of the Urban Programme include for example intensified cooperation between universities of Helsinki and Tallinn, research on future demand of workforce and education, in the region, intensified cooperation between enterprises and schools, internet services for immigrants, internet learning platform for teachers and a plan for new organisation to market Helsinki Region abroad.

The second Urban Programme period for 2005-2007 is currently under way. There are three priorities according to the common vision and strategy for the Helsinki Metropolitan Area.

The actions of Urban Programme are organised as research and development projects which will aim to the goal formulated in the strategies.

For example in the area of improving competitiveness there are measures which aim to help foreign students, specialists and researchers to work and study in Helsinki region. There is a project where the services offered to these groups will be reorganised. The aim is to offer services related to work permits, housing, health and social services more easily regionally so that clients do not need to know details about municipal borders and departments.

4.3.2. National government metropolitan area policy

According to the National Government Programme, cooperation procedures between municipalities in the Greater Helsinki Region and central government are further developed. Moreover, cooperation and joint decision-making are promoted in matters related to housing, transport and community planning.

In developing the Greater Helsinki Region, emphasis is placed on furthering cooperation among the key actors in the region. For this purpose, the Ministry of the Interior is implementing a project from June 2003 on for improving cooperation in the Greater Helsinki Region. It also promotes dialogue between central government and the Region and supports development through programmes in the Region and its surrounding regions.

Within this project Ministry of Interior has produced a report about the cooperation in the region. The report also included proposition for the organisation of regional government. Ministry has formulated a law proposition to renew the government organisations in Helsinki region. However, the law making process has been halted because of the strong development of the voluntary cooperation between municipalities in the region during 2004 and 2005.

One measure related to the national urban policy was a territorial review of Greater Helsinki Region made by OECD. This was initiated by Ministry of Interior and done in cooperation with OECD, national government, cities and regional councils. Ministry's aim was to get an external experts view on Finnish urban development. The review examined the factors contributing to Greater Helsinki Region's success as a highly competitive economy and the new development challenges it has created.

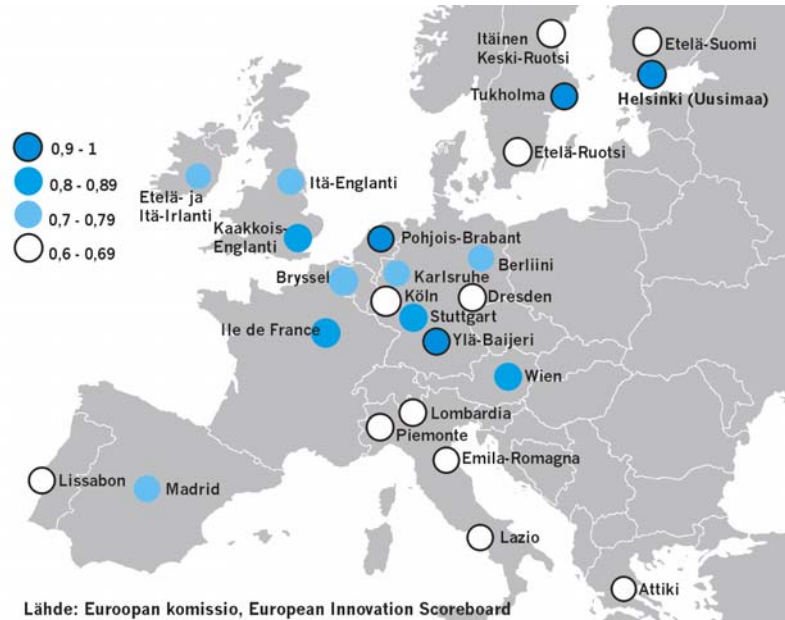
OECD's conclusion was that one critical policy question is the Finnish dependence on the telecom and mobile industry. The strategic positioning of the Finnish ICT cluster builds on a high-return and high-risk scenario. Long-term regional competitiveness requires a more focused strategy of diversification, i.e. developing ICT activities beyond the current cluster scope. OECD also mentioned that social inclusion is another crucial issue. Persistent unemployment among the less educated population and growing income disparities are calling for the restructuring of past policies. OECD recommended that the Greater Helsinki Region needs to find ways to promote new opportunities of social cohesion. Rapid population growth has resulted from greater economic competitiveness requiring renewed commitment to managed growth and compact development. (OECD 2002).

4.4. Results of strategies

So far Helsinki Region has managed to keep up its competitive edge. Results of exercised strategies have been growth of employment both in research and development and in creative sectors. In 1995-2002 the overall employment growth has been 3.9 % p.a. and GVA growth 6.5 % p.a. The forecast in 2002-2008 for employment growth is 1.0 % p.a. and for

GVA growth 3.2 % p.a. (Laakso & Kostiainen 2004). There have been new campus developments and local testbeds for new technologies have been started. In European Innovation Scoreboard comparison Helsinki and the surrounding Uusimaa Region is one of the leading regions.

Figure 5. Leading innovative regions in EU15 in 2003, total index.



Source: European Commission, European Innovation Scoreboard.

5. Recent changes in regional governance

The tradition of municipal self-government is very strong in Finland. The discussion concerning the cooperation in Helsinki region has therefore been based on the idea of independent municipalities. During 20th century there were several initiatives to form some common administration to Helsinki Metropolitan Area but these initiatives have always failed. Even the discussion about uniting the municipalities has some times been a taboo in the region. However, during last couple of years the discussion climate has changed dramatically. The regional cooperation is now top priority in local political discussion. Reasons for that are many. The competitiveness of the region in global economy has opened the eyes and pushed some of the local conflicts to the background. The challenges to balance municipal budgets and operate more effectively force to look for new solutions. The territorial review of OECD experts triggered some new ideas. Finally the actions of national government concerning new legislation have put pressure on local politicians.

In the beginning of 2004 the leading elected politicians of Helsinki Metropolitan Area gathered for the first time to a common meeting. In that meeting were represented all the four cities of the area by chairs of city councils and city boards. All major parties had their leading politicians present. Actually this was the first time that many of these politicians met personally. The politicians gave a statement concerning the proposition to develop Greater Helsinki Region prepared by the national government. More importantly the politicians decided to start a new organised cooperation between the four cities.

The Helsinki Metropolitan Area Advisory Board was grounded in a fast process. Each city council made the decision to participate in the work of the advisory board during the spring and in June 2004 was the first meeting of the board. Parallel to this was started a process to

formulate a common strategy for the area. The proposition of the strategy was prepared in cooperation of the strategy teams of each city. Then it was developed further by the Mayors of the cities who presented it to the advisory board's members. Common vision and strategy for the Helsinki Metropolitan Area was approved in the advisory board in October 2004 (Fig. 6). The advisory board itself does not have any formal powers. Its work is based on contract approved by each city council. Therefore all the decisions which it makes have to be approved by city councils. So far the system has worked and coming years will show how effectively the advisory board can work and how it will solve conflicts.

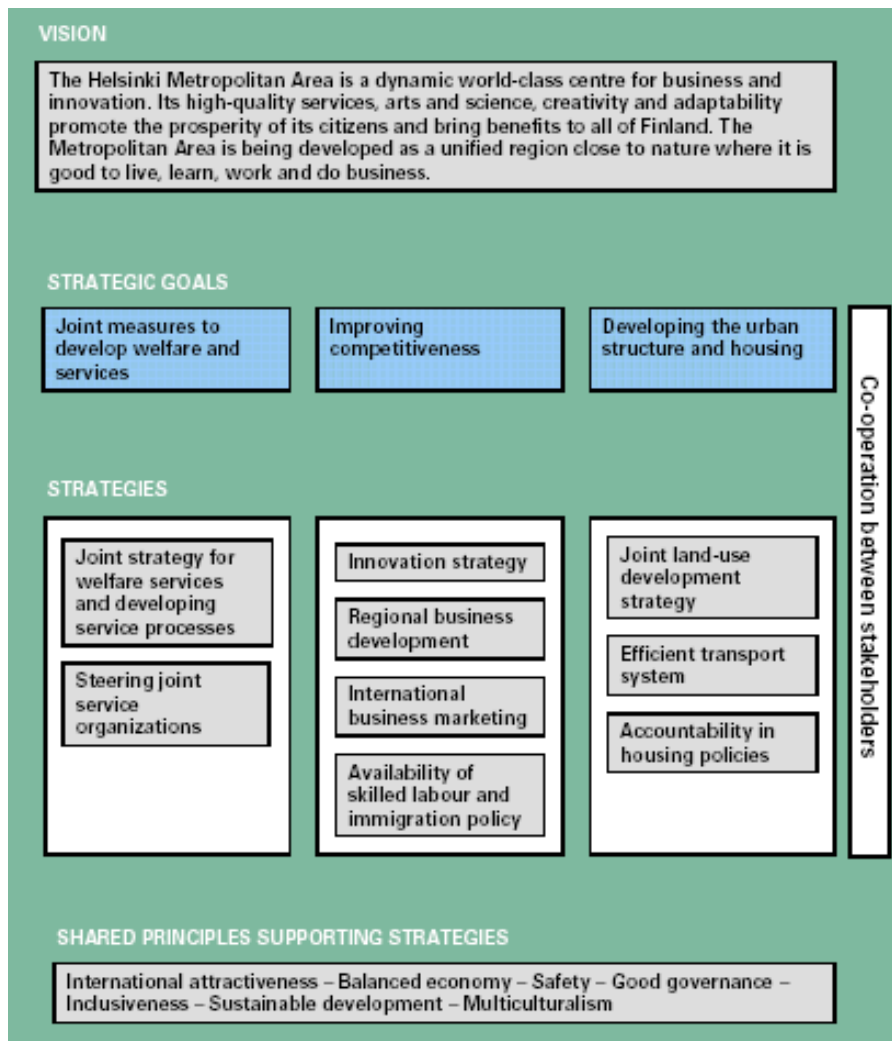
The rapid progress was considered important because concrete cooperative actions between cities in organising services were eagerly waited by all partners. This actually calls for decisions in the budget approving phase in city councils. Typically the city budgets for next calendar year are approved in November. The preparation and approval of common strategy in described rapid timetable meant that cities could include operational targets for cooperation in their budgets for 2005. This was major achievement because budget allocation now favours regional actions.

Also in autumn 2004 was the time of municipal elections. New city councils started their four year period in the beginning of 2005. New councils have committed themselves to the work of the board. The common strategy now approved by each city can develop the planning system more regionally functional although the basic organisation is still the system of independent municipalities. So far citizen participation in regional level has not yet been reorganised. Participation is organised through participation channels of independent municipalities in the region. The Advisory Board has been proactive in its communication and all documents and meeting materials are published in the net prior the meetings. In June 2005 meeting the advisory board organised a globalisation seminar open to the public.

In the spring 2005 new councils have started strategy formulation in every city for the council period. The common vision and strategy is now strong base for more regionally oriented targets and objectives. The budget planning for coming years will include more service production over the municipal borders. There will be renewal in 2006 in comprehensive schools so that children can more easily enter schools in neighbouring cities. There are plans for using more effectively real estate (schools, day care centres, health and social centres) on the border regions. Common quality standards for service production and purchasing have been prepared.

Cooperation in the larger Helsinki region is also currently under way. A cooperation contract between 14 municipalities has been written. It is in decision making process in city and municipal councils. This cooperation should start in October 2005. This work will focus on zoning, housing and transport planning. However, it will be also open for other areas of common projects.

Figure 6. Common vision and strategy for the Helsinki Metropolitan Area



Source: City of Helsinki

6. Lessons to learn

6.1. Strategically and organisationally

As mentioned earlier from Finnish perspective the basis for creativity in urban planning are strong basic services, equal possibilities in learning and education and possibilities for cultural, recreational and sport activities.

Strategically oriented thinking and planning necessitates learning from all interested parties. In practice it means using time to learn and build trust. Politicians have to give total support to strategic work. Leaders of the participating organisations need to have enough competence in strategic work to lead the process. In every case it is always needed time to create common understanding of the environment where the work is done. All parties must have nerve to live with uncertainties and still conflicts are unavoidable. Political legitimation of strategy formulation and the persons doing it has to be accurate. In Finland the work is distributed so that politicians decide and approve the strategies. Civil servants prepare and formulate the strategy documents for decision making process.

Key knowledges in strategy implementation are programme and project management. Both strategy formulation and implementation have to be coordinated with other national, regional

and local programmes. In implementation phase prioritization and focus are very important. There are never enough resources to tackle all challenges at the same time. If there are too many areas of development or projects the implementation will fail and the legitimation will be questioned.

Communication strategies have to be formulated and enough resources have to be directed to communications. Finland is very monocultural country with only 2 % of the national population and 7 % of the population of Helsinki being of foreign background. In more multicultural societies communication is even more important because there all more groups from different cultures and backgrounds and therefore more various viewpoints.

In the Helsinki case it is also noticeable that public sector has a strong role. Finnish work culture is specialist driven. Low hierarchy means that people and teams can work independently. Monoculturalism and low hierarchy also increases the possibilities for networking and spread of innovation without formal decision making.

In Helsinki Region alternative strategies in regional governance could be (1) uniting the municipalities in the region as one municipality or (2) state law concerning decision making and service production in the region. In regional strategy making the adopted network oriented advisory board model can ease some of the burden of growing bureaucracy. A democratically elected regional government could have more effective implementing powers. However, in regional cooperation the interests of partners are always sometimes in conflict. There is evidence in research that even in regional organisations partners typically look after their own interests and the building-up of regional interest is rare (Collin et al 2002, 325). Therefore developing of the network based governance is seen reasonable in Helsinki Region.

Some common weaknesses in strategy processes and implementation can also be identified by experience:

- Organisation's leaders and partners are uncertain about the goal of the process or project
- Too fast process can effect that parties do not have enough time to commit
- Leaders and steering groups are too far away from grassroot level or they have insufficient knowledge of it
- Unclear regional distribution of work
- Inadequate project plans
- The expanding of projects in planning phase
- Too short times for project implementation

6.2. Developing the planning profession

Strategic and regional working environment necessitates much knowledge from planners. The knowledge of own substance (for example zoning, physical planning, transport, housing, services) is important but it is only one part of the professional profile. Important professional elements are capability to make decisions and capability to execute, implement and organize. The ability to tolerate ambivalence and uncertainty is crucial.

Management and leadership abilities are needed as well as communication and interaction abilities and methods. Programme and project management capabilities are important in multiactor processes. Project competences can be developed according to the certificates approved for example by International Project Management Association.

Peer groups are effective and a low-cost method of learning. Professionals doing same work in different organisations can exchange information and methods. Peer groups give also strong element of support in turbulent processes.

When working in strategic and regional processes it is needed to develop following knowledge and capabilities:

- Knowledge of the regional working environment: laws, organisations, networks
- Project management: planning, work partition, delegation, financial planning, personnel administration, monitoring, evaluation
- Understanding of the differences of the organisational cultures with different partners
- Communication, interaction and leadership skills
- Negotiation skills and conflict management

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