



# Beyond the Scorecard: Understanding Global City Rankings

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## Executive summary

If world cities are the commanding hubs of a globalizing world, then city indexes have become the arbiters of how these cities rank in the worldwide competition. Hundreds of these indexes and rankings proclaim which cities are most global, with the most powerful economies, the greatest universities, the richest cultures. Some are comprehensive, trying to rate cities as a whole; others specialize, focusing on a city's global clout in finance or its real estate values or the quality of life it provides its citizens.

This report seeks to dive into these rankings and promote a debate on their usefulness. How do city ranking criteria differ from index to index? How solid are their conclusions? What can the underlying assessment tell us about a city and how it compares globally? How should cities use rankings to inform policy?

The report illustrates how methodologies, definitions, data use, and conclusions vary wildly from ranking to ranking. It also notes biases and challenges common to many indexes, including the author's perspective, lack of reliable and internationally comparable data, and the routine presence of lagging indicators. Finally, it outlines practices to help poli-

cymakers navigate through the noise to find insights and trends depending on what kind of information they need.

Specifically, the report recommends that:

- ▶ City officials and policymakers use comprehensive rankings to get a detailed sense of their performance based on the most recent available data.
- ▶ Cities look beyond the topline numbers to the underlying indicators, conduct their own analysis of their performance, and identify their strengths and weaknesses compared with their peer group.
- ▶ Policymakers reach out to their counterparts in other relevant cities to learn more about strategies and efforts that have paid dividends.
- ▶ Officials consult forward-looking indexes to gauge their city's future prospects.

To draw value from these indexes, cities must understand their history, differences, and continuing evolution. Most importantly, they must look beyond the scorecard to understand that these reports can paint a more nuanced portrait of a city and what it needs to do to improve its global reach and its quality of life at home.

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## Introduction

If world cities are the commanding hubs of a globalizing world, then city indexes have become the arbiters of how these cities rank in the worldwide competition. Hundreds of these indexes or rankings proclaim which cities are most global, with the most powerful economies, the greatest universities, the richest cultures. Some are comprehensive, trying to rate cities as a whole; others specialize, focusing on a city's global clout in finance or its real estate values, or the quality of life it provides its citizens.

Taken together, these indexes have become a booming cottage industry for consulting firms, think tanks, chambers of commerce, universities, and the media. Like global cities themselves, they are a work in progress, with methodologies and sophistication that are still evolving. But even at this early stage, it is clear they can be used and misused. Read correctly, they can be an important tool for cities wanting to strengthen their ability to compete globally. Read incorrectly, they are little more than fodder for civic bragging rights.

Even the most respected indexes differ widely on how cities are ranked and why; indeed, they often differ on which cities should be included in the first place. This is because they use varying criteria and give varying weight to the criteria. Thus, a city that is elated or dejected by its overall ranking among the world's cities is missing the point. The real lesson lies in the data behind the rankings.

This report seeks to dive into these rankings and promote a debate on their usefulness. How do city ranking criteria differ from index to index? How solid are their conclusions? What can the underlying assessment tell us about a city and how it compares globally? How should cities use rankings to inform policy?

To draw value from these indexes, cities must understand their history, differences, and continuing evolution. Most importantly, they must look beyond the scorecard to understand that these reports can paint a more nuanced portrait of a city and what it needs to do to improve its global reach and its quality of life at home.

## Understanding the differences in city rankings

The eminent sociologist Saskia Sassen—a member of several city ranking committees—coined the term “global city.” The global network of cities, she argued,

## A brief history of city rankings

Competitive city rankings as we know them today have barely existed a decade, though their inception dates back to at least the 1970s. Swiss bank UBS released its first *Prices and Earnings Survey* in 1970 to compare the purchasing power of citizens in 72 cities around the world. A comparative analysis of the cost of doing business, these early offerings were developed to guide investment decisions. Later rankings, such as those produced by the Economist Intelligence Unit and by Mercer, were designed for multinational companies to calculate compensation packages for expatriate executives.

Over the years, the canon of city scorecards expanded to appeal to a broader audience—not just businesses but also residents and policymakers. Metrics quantifying inhabitants' quality of life—often defined by safety, culture, and a commitment to the environment—rounded out the more business-centric indicators (such as GDP per capita and tax rates). Higher education institutions have increasingly weighed in, led by Loughborough University's Globalization and World Cities Research Network, which is known for its organization of cities into alpha, beta, and gamma tiers based on their integration into the global network.

In 2013 real estate company Jones Lang LaSalle released its latest analysis of 150 city indexes and benchmarking studies—an indication of how rankings have flourished as well as a fascinating bird's-eye view of city performance measurement worldwide.

is less about competition than a division of functions; some cities are hubs for finance, others for manufacturing, and so forth, but all are important. Global corporations today are not aiming to locate in just one city but multiple urban centers, each of which can act as an entry point for key regions around the world.

Just as there is no single top global city, there is also no definitive city ranking. Consulting firms, think tanks, governments, academics, chambers of commerce, business groups, tourism companies, and the media use a variety of approaches to evaluate and compare cities. The rankings range from comprehensive, in-depth analyses of the latest data on the most granular metrics, to compendiums of existing rankings (essentially rankings of rankings), to macroeconomic and future growth projections, to survey-based reports that seek to quantify culture or determine which international city best captures the zeitgeist of a selected social or business trend. Some rankings are a little bit

of everything. But they each add to the ongoing dialogue of how, in a globalizing world, cities can distinguish the trends and data points that will inform better policy and investment on the ground.

This report—not a ranking itself, but a narrative analysis of those rankings—focuses on an illustrative sample of select indexes that vary widely by audience, data, and perspective (see facing page, *Top 10 cities, select world rankings*). It aims to dive deeper than a

scorecard to help cities derive valuable insight based on how the rankings define the world's most influential cities.

### Defining a “global city”

Only a few rankings explicitly attempt to define Sassen's “global city” and the factors that make it so. Mori's definition of a “global power city” emphasizes areas such as cultural interaction, livability, and

## Methodology

There is no shortage of thought leadership on the subject of world cities. The goal of this report is to offer an illustrative analysis of select city rankings to help municipal policymakers understand and use these rankings constructively. The rankings discussed in this report include several influential, comprehensive indexes as well as more niche publications. The rankings that appear in the exhibit on the facing page and that are discussed in the body of this report were chosen because they provide not only an overall city scorecard but also a detailed methodology, including the individual indicators and weights used to determine the rankings. Our team analyzed dozens of rankings; not all are discussed in depth in this report. The full list of analyzed rankings can be found in the bibliography and includes:

### Influential, comprehensive rankings

- ▶ *Cities of Opportunity 6*, PricewaterhouseCoopers
- ▶ *Hot Spots 2025*, Economist Intelligence Unit
- ▶ *Global Cities Index and Emerging Cities Outlook*, A.T. Kearney
- ▶ *Global Power Cities Index*, Mori Memorial Foundation

### Niche rankings (audience, perspective, city selection)

- ▶ *World's Most Competitive Cities*, IBM (audience: business site selection)
- ▶ *Sustainable Cities Index*, ARCADIS (perspective: sustainability)
- ▶ *Global Financial Centres Index*, Z/Yen Group (city selection: financial centers)
- ▶ *Global Cities of the Future*, fDi Intelligence (perspective: FDI)
- ▶ *Resilient Cities*, Grosvenor (audience: real estate clients)
- ▶ *A summary of the livability ranking and overview*, Economist Intelligence Unit (audience: companies relocating employees)
- ▶ *City RepTrak*, Reputation Institute (perspective: reputation)
- ▶ *Quality of Living Survey*, Mercer (audience: companies with an international workforce)
- ▶ *The Wealth Report Global Cities Survey*, Knight Frank (audience and perspective: real estate and attraction of high net worth individuals)
- ▶ *City Momentum Index*, Jones Lang LaSalle (audience: real estate clients)

### Analyses based on macroeconomic data

- ▶ *Global MetroMonitor*, Brookings Institution
- ▶ *Urban World: Mapping Economic Power of Cities*, McKinsey Global Institute

We also consulted several other scholarly reports and articles on the city rankings themselves, most notably Jones Lang LaSalle's *The Business of Cities 2013*.

## Top 10 cities, select world rankings

These nine rankings offer an illustrative sample of modern city rankings literature and highlight the variance in city performance.

<b>Cities of Opportunity 6</b>	<b>2014</b>	<b>Global Cities Index</b>	<b>2013</b>	<b>Hot Spots 2025</b>	<b>2013</b>
<b>PricewaterhouseCoopers</b>		<b>A.T. Kearney</b>		<b>Economist Intelligence Unit</b>	
1. London		1. New York		1. New York	
2. New York		2. London		2. London	
3. Singapore		3. Paris		3. Singapore	
4. Toronto		4. Tokyo		4. Hong Kong	
5. San Francisco		5. Hong Kong		5. Tokyo	
6. Paris		6. Los Angeles		6. Sydney	
7. Stockholm		<b>7. Chicago</b>		7. Paris	
8. Hong Kong		8. Beijing		8. Stockholm	
9. Sydney		9. Singapore		<b>9. Chicago</b>	
<b>10. Chicago</b>		10. Washington, DC		10. Toronto	
<b>Global Power City Index</b>	<b>2014</b>	<b>Global Financial Centres Index 17</b>	<b>2015</b>	<b>Global Cities of the Future</b>	<b>2014/15</b>
<b>Mori Memorial Foundation</b>		<b>Z/Yen Group</b>		<b>fDi Intelligence</b>	
1. London		1. New York		1. Singapore	
2. New York		2. London		2. London	
3. Paris		3. Hong Kong		3. Hong Kong	
4. Tokyo		4. Singapore		4. Dublin	
5. Singapore		5. Tokyo		5. Dubai	
6. Seoul		6. Zurich		6. New York	
7. Amsterdam		7. Seoul		7. Tokyo	
8. Berlin		8. San Francisco		8. Shanghai	
9. Hong Kong		<b>9. Chicago</b>		9. Bucharest	
10. Vienna		10. Boston		10. Beijing	
<b>Resilient Cities</b>	<b>2014</b>	<b>Sustainable Cities Index</b>	<b>2015</b>	<b>City RepTrak</b>	<b>2014</b>
<b>Grosvenor</b>		<b>ARCADIS</b>		<b>Reputation Institute</b>	
1. Toronto		1. Frankfurt		1. Vienna	
2. Vancouver		2. London		2. Munich	
3. Calgary		3. Copenhagen		3. Sydney	
<b>4. Chicago</b>		4. Amsterdam		4. Florence	
5. Pittsburgh		5. Rotterdam		5. Venice	
6. Stockholm		6. Berlin		6. Oslo	
7. Boston		7. Seoul		7. Vancouver	
8. Zurich		8. Hong Kong		8. London	
9. Washington, DC		9. Madrid		9. Barcelona	
10. Atlanta		10. Singapore		10. Montreal	

environment, evaluating the “magnetism” of cities to attract individuals and businesses from around the world. The A.T. Kearney 2014 *Global Cities Index*, which the Chicago Council helped to launch in 2008, measures “how globally engaged [cities] are.” PricewaterhouseCoopers’ (PwC) *Cities of Opportunity 6* “analyzes the trajectory of...capitals of finance, commerce, and culture—and, through their current performance, seeks to open a window on what makes cities function best.” The Economist Intelligence Unit (EIU)’s *Hot Spots 2025* is forward-looking and aims to “benchmark...the future competitiveness of cities,” with competitiveness defined as “ability to attract capital, businesses, talent and visitors.” These different goals, though subtle, are the foundation of the wide variety of approaches reflected in how rankings define the world’s top cities.

Even without a formal definition we can infer from these rankings that global cities are high functioning and well rounded, with all of the attributes needed to attract companies and people as well as the infrastructure and operational capabilities to serve their residents.

### City performance varies from ranking to ranking

New York and London are the undisputed kings of comprehensive rankings by A.T. Kearney, EIU, Mori, and PwC. These two are not necessarily the richest—they rank second and fifth by GDP respectively<sup>1</sup>—but they are universally recognized as long-standing seats of power and culture. Because of variations in indicators and methodology, just five cities—Hong Kong, London, New York, Paris, and Singapore—appear in the top ten of all four indexes. Chicago and Tokyo appear in three of four rankings, ranging from fourth to tenth place.

All rankings evaluate a city’s overall performance based on a set of indicators—from as few as 2 to more than 100—that serve as individual data points, grouped into categories. Subtle and stark differences among these criteria mean that a city may score well on some indexes but lag behind in others. The A.T. Kearney index employs 26 indicators in five categories: business activity, human capital, information exchange, cultural experience, and political engagement. Meanwhile, PwC’s 56 indicators in 10 categories

cover similar ground but gloss over politics. Mori’s 70 indicators in six categories monitor categories such as economy R&D but give more leeway to academic muscle and livability, with little mention of political engagement.

The weighting of the indicators also leads to variance in rankings and reflects assumptions about the importance of individual factors. In comprehensive rankings, finance is widely considered a compulsory element of global cities, with commerce weighted higher than other categories. The Z/Yen Group’s *Global Financial Centres Index* makes that its sole purpose, excluding cities that aren’t recognized financial centers. But even some of the comprehensive rankings lean heavily on finance; for example, EIU weights economic strength 30 percent and assigns 10 percent to financial maturity, while the other categories—human capital, institutional character, physical capital, global appeal, social and cultural character, and environmental and natural hazards—are weighted from 5 to 15 percent of a city’s overall score.

As a result, in the A.T. Kearney, EIU, and PwC indexes, financial capitals such as London, Hong Kong, New York, Singapore, and Tokyo often outperform other cities. Meanwhile, Mori’s emphasis on cultural interaction, the environment, and livability elevates Amsterdam, Berlin, and Vienna—cities rich in music, art, and history—to its top 10, perched alongside cities that excel on the economy and research and development.

In contrast to these more comprehensive rankings, those by ARCADIS, Grosvenor, and the Reputation Institute, assess cities through the narrower lenses of sustainability, resilience, and reputation, respectively. An emphasis on specific metrics can expose a global city’s weaknesses while negating its strengths. Perennial powers New York, Tokyo, and Paris fail to make the top 10 in all three. In a world increasingly threatened by climate change and man-made disruptions, the ARCADIS and Grosvenor indexes seem to reinforce the idea that in the coming decades, rising sea levels or a lack of natural resources could trump a city’s economic power. It is worth noting that Chicago is fourth on Grosvenor’s list of resilient cities but is absent from ARCADIS’s most sustainable cities. While Grosvenor’s methodology is based on a focused study of a city’s vulnerability compared with its adaptive capacity, ARCADIS’ broader definition of “sustainabil-

1. *Global MetroMonitor*; Brookings, 2014.

## Comparing transparency of rankings' methodologies

Some rankings are more explicit than others about their methodologies, from indicator sourcing to city selection criteria. For example, EIU provides a lot of information: EIU researchers started with all cities with populations over 1 million in 2010, excluding those with a nominal GDP of less than \$20 billion in 2008; capped the number of cities in large economies (China, the United States, and India were capped at twelve, twelve, and eight, respectively); then added back in “established financial and commercial centres (for example, Geneva), as well as important emerging cities (such as Ahmedabad, Ho Chi Minh City, Nairobi, Panama City).” Such a methodology, while never perfect, is detailed enough to lend credibility to the process. However, other rankings' city selection methodologies are more opaque. ARCADIS takes 50 of “the world's most prominent cities,” while Grosvenor focuses on 50 of “the world's most important cities.” These two samples overlap somewhat—Chicago, Sydney, and Frankfurt appear in both indexes—but the two rankings disagree on the inclusion of twenty cities; Vienna, Stockholm, and Taipei make the cut for Grosvenor, while Rotterdam, Berlin, and Rome are included by ARCADIS. The reasoning for the differences is unclear due to the absence of a methodology explaining the choices.

Similarly, the rankings differ on the transparency of their indicator data. PwC publishes a separate document detailing definitions and sources for each indicator; fDi Intelligence lists every data point (but not the sources); and EIU offers a ten-page narrative on its methodology that manages to be simultaneously informative and vague, as many of its indicators are actually scores on a scale of one to five, with the assignment made by the EIU research team. Of course, the inherent value of “trade secrets” in the assembly of a given ranking may lead authors to hold back some information. Regardless of completeness, any methodology that offers sources, date of collection, and/or reasoning behind their selections is more useful to cities that seek to understand the scoring system.

ity” includes social and environmental factors as well as economic performance.

The Reputation Institute's *City RepTrak* index identifies top cities based on the strength of their reputation as determined by a survey of residents in G-8 countries. Thus, it weights “appealing environment” more heavily than its other two pillars, “advanced economy” and “effective government.” Some cities have developed well-known brands that can overshadow shortcomings on quantitative metrics such as quality of life (New York) or cost of living (London and San Francisco). The appearance of Venice and Florence may owe more to their popularity as tourist destinations than their global influence. In this way the ranking reinforces the importance of familiarity and international profile, particularly when attempting to quantify intangible factors.

### City selection also varies from ranking to ranking

The selection of cities included in the analysis can sway the interpretation and reveal key methodological differences (see box above, *Comparing transparency of rankings' methodologies*). Rankings that include cities in both developed and developing nations—such as PwC's *Cities of Opportunity*—tend to cast developed cities in a more positive light, with the likes of Nairobi, Jakarta, and Mumbai awarded scores just one-fifth of

what London and New York achieved. However, rankings focusing only on wealthy cities—such as Z/Yen's *Global Financial Centres Index* and A.T. Kearney's *Global Cities Index*—put the microscope on differences that would appear minor if the entire world were concerned. A.T. Kearney's *Emerging Cities Outlook* attempts to address this gap by focusing on cities in countries that are defined by the World Bank as low- or medium-income.

### Extracting the value of city rankings

Cities should not perceive their position on an index as a definitive, objective assessment of their performance. Rankings typically offer a high-level look at a city; only through more extensive research can cities get a more accurate view of how they stack up. An informed, nuanced reading of the indexes can provide elected officials and policymakers with important insight.

### Focus on individual indicators

The first rule to glean insight from indexes: Don't dwell on the overall ranking. Ranking metrics and methodology are often opaque, and many companies don't make their underlying data or weightings available. Therefore, looking at a city and trying to determine how it can gain another 10 points to leapfrog its neighbor is a futile exercise. Rather than issuing a

## Indicators within similar ranking categories

### Commerce

Business activity	Economic clout	Economic strength
<b>A.T. Kearney</b>	<b>PricewaterhouseCoopers</b>	<b>Economist Intelligence Unit</b>
HQs of major global corporations	Number of Global 500 HQs	Real GDP
Locations of top business services firms	Financial and business services employment	Real GDP per capita
Value of capital markets	Attracting FDI	Households with annual consumption > US \$14,000 (PPP)
Number of international conferences	Productivity	City real GDP growth rate
Flow of goods through ports and airports	Rate of real GDP growth	Regional market integration

### Culture

Social and cultural character	Cultural interaction	Cultural experience
<b>Economist Intelligence Unit</b>	<b>Mori Memorial Foundation</b>	<b>A.T. Kearney</b>
Freedom of expression and human rights	Trendsetting potential	Number of major sporting events a city hosts
Openness and diversity	Cultural resources	Number of museums, performing-arts venues, and diverse culinary establishments
Presence of crime in the society	Facilities for visitors	Number of international travelers
Cultural vibrancy	Attractiveness to visitors	Number of sister-city relationships
	Volume of interaction	

definitive ruling, a well-considered comparison can frame the debate on what a global city should be and where exactly some urban centers fall short.

At the data level, the indicators included in these categories deviate significantly from index to index—even among categories that are similar (see box above, *Indicators within similar ranking categories*). While A.T. Kearney measures commercial activity partly through the presence of major global corporation headquarters, PwC focuses on Global 500 headquarters—the latter being more exclusive. The selection of the indicators themselves and what constitutes economic strength reflect each organization’s perspective.

For more qualitative categories such as culture, attempts to quantify a city’s performance can lead to markedly different definitions and outcomes. The EIU considers “presence of crime in society” to be a factor in a city’s social and cultural character (as demonstrated in the exhibit above), but Mori lists “number of murders per population” as a measure of livability.

The most useful rankings, then, are those that provide not just an overall score but also a second or third layer of information about a city’s performance. For example, PwC’s *Cities of Opportunity* goes beyond the topline scorecard to offer rankings in each of its 10 categories such as culture and livability and each of the 59 indicators such as traffic congestion. An analysis of a city’s performance in each of these indicators will make clearer where the needle can be moved—and where to look for best practices. In PwC’s culture and livability category (see facing page, PwC’s *Cities of Opportunity 6 (2014)—Culture and livability*), for example, Chicago scores higher than San Francisco and New York City on quality of living and traffic congestion. Chicago and the majority of cities in developed countries (except San Francisco) have an older working-age population, an indicator over which they can exert little influence. By contrast, relocation attractiveness is based on a PwC employee survey and reflects perception and familiarity with a



## PwC's *Cities of Opportunity 6* (2014)—Culture and livability

(30 = highest score)

	Cultural vibrancy	Quality of living	Working-age population	Traffic congestion	Ease of commute	Relocation attractiveness	Overall score
Sydney	24	29	5	29	27	28	142
London	29	17	18	26	21	30	141
San Francisco	23	19	26	13	28	27	136
Berlin	27	25	13	23	29	18	135
Hong Kong	21	24	25	15	25	23	133
Singapore	15	19	23	30	22	24	133
Paris	28	27	17	17	13	26	128
Stockholm	17	28	6	29	30	16	126
Toronto	18	30	16	18	19	22	123
Chicago	20	23	11	19	26	20	119
New York	30	16	8	13	23	29	119

city—both areas that a city could address with a robust marketing campaign.

### Understand the author's perspective

The ranking's author is a crucial indicator of its perspective. Consulting firms and other businesses that undertake a ranking index devote substantial resources to gathering data, performing analysis, and translating their research into a compelling narrative. The resulting reports often represent the core insight crucial to the company's consulting and business services. For example, fDi Intelligence draws mostly on proprietary data from the fDi Markets and fDi Benchmark online tools to create its *Global Cities of the Future* index. Customers and potential clients that want more detail will likely pay for it, giving these firms—from consultancy heavyweights such as PwC to niche service providers such as ARCADIS—opportunity to sell both their data and services, advising municipal governments directly on how their cities can compete better, rise in the ranks, and become more sustainable. In its *Global Cities of the Future* index, fDi Intelligence draws mostly on proprietary data from the fDi Markets and fDi Benchmark online tools, which it then weights “by importance to the FDI decision-making process.”

Regardless of the ranking's use, each is invariably swayed by human perspective. Geography is just one

example. With the exception of Mori's *Global Power Cities Index*, many of the high-profile indexes are produced in the United States and Western Europe. The indicators, particularly those attempting to quantify intangibles such as culture, tend to favor more mature cities in developed nations at the expense of fast-rising cities in emerging markets.

### Define your goal

Several rankings, particularly those serving niche audiences and perspectives, analyze available data to illuminate the world's top cities for a specific purpose. For example, the 2013 *World's Most Competitive Cities* index by IBM includes no overall scorecard, but a segmentation by type of business, such as international headquarters and shared services centers, that reweights the difference for each—and, as such, comes up with different conclusions on city competitiveness based on business type (see next page, *Top 10 cities, The World's Most Competitive Cities (IBM, 2013), by category*). As a result, Chicago is judged to be fourth best for financial services, but eighth best for software development. For cities that are developing a proactive strategy to attract certain types of companies or build clusters in a given industry, such insight can be valuable. These different lenses can enable cities to assign their own weighting and interpretation depending on their goals and policies.

## Top 10 cities, *The World's Most Competitive Cities* (IBM, 2013), by category

International headquarters	Shared services center	Software development	Financial services	Life sciences R&D and production
1. London	1. London	1. London	1. New York	1. London
2. Singapore	2. Singapore	2. New York	2. London	2. New York
3. New York	3. New York	3. San Francisco	3. Singapore	3. Singapore
4. Amsterdam	4. Dublin	4. Paris	<b>4. Chicago</b>	4. Paris
5. Hong Kong	5. Amsterdam	5. Berlin	5. Hong Kong	5. Stockholm
6. Paris	<b>6. Chicago</b>	6. Stockholm	6. Toronto	6. Berlin
<b>7. Chicago</b>	7. Dallas	7. Singapore	7. San Francisco	<b>7. Chicago</b>
8. Toronto	8. Atlanta	<b>8. Chicago</b>	8. Amsterdam	8. Frankfurt
9. Zurich	9. Berlin	9. Toronto	9. Dallas	9. Dublin
10. Berlin	10. Toronto	10. Atlanta	10. Atlanta	10. Copenhagen

### Approach longitudinal comparisons carefully

Indexes that have been produced over several years—such as Z/Yen's biannual *Global Financial Centres Index*, now in its 17th edition—enable cities to conduct their own longitudinal analyses. Still, fluctuations in city performance should be viewed with a skeptical eye; this index and others adjust their metrics from report to report, an acknowledgment that the global economy is moving quickly and that calculating city success is not yet an exact science. Furthermore, as Zack Taylor points out in *“Lies, Damned Lies, and Statistics”: A Critical Examination of City Ranking Studies*, external factors such as currency exchange rates can have an outsized impact on a city's position from year to year.

As a result of differences in indicators, the rankings often disagree on which cities are improving and which are stalling over time. In A.T. Kearney's index, Chicago rose one spot from 2008 to 2014 even as Mori index dropped Chicago 17 places during this same period (see facing page, *Chicago's performance in two comprehensive indexes, 2008–14*). By contrast, Seoul fell four rungs in the A.T. Kearney index while rising seven spots in the Mori ranking to sixth place.

The data used hold clues as to why. In the Mori index, Chicago's worst 2014 performance (by devi-

ation score) was in number of murders per population, corporate tax rate, level of green coverage, comfort level of temperature, and the number of World Heritage sites within a 100-kilometer area—all indicators that don't appear to have been included in A.T. Kearney's ranking, which lauded Chicago's strong performances in the human capital and information exchange categories.

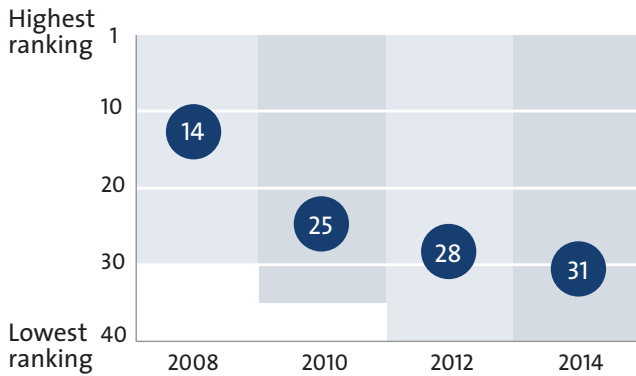
Given these disagreements even among two well-respected indexes, elected officials should be careful not to lean too heavily on an index's favorable movement up the rankings; they could just as easily find their city a few spots lower the next year in spite of real progress.

### Separate perception and performance

Global rankings also highlight the nagging gap between a city's actual performance and how the international community perceives it. As demonstrated by the popularity of the Reputation Institute's *City RepTrak*, reputation is a valuable asset that cannot be overlooked. In fact, many indexes rely fully or partly on surveys, which add color to rankings by reflecting the opinions of individuals on the ground in the cities. For instance, Mori's ranking incorporates several questionnaires on cities' cultural resources, attractiveness

## Chicago's performance in two comprehensive indexes, 2008–14

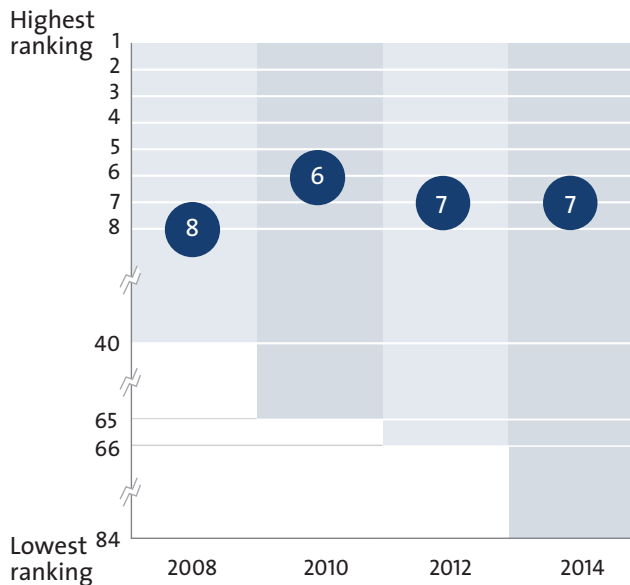
### Global Power Cities Index, Mori Memorial Foundation



Note: The number of cities included has grown over the years: 2008 (30 cities), 2009–11 (35 cities), 2012–14 (40 cities).

Mori has released an index every year since 2008. For comparison purposes, only even years are displayed.

### Global Cities Index, A.T. Kearney



Note: Again, the number of cities included grew each year: 2008 (40 cities), 2010 (65 cities), 2012 (66 cities), 2014 (84 cities).

Source: Analysis by Leff Communications

to visitors, and working environment, among other indicators.

However, separating fact from perception can be difficult. In relying on qualitative data, these surveys introduce a host of variables that make comparisons among indexes difficult. The Z/Yen ranking of the

world's top financial centers is based largely on a survey of international financial services professionals; the survey helps determine not only ranking but what cities are included in the sample. And PwC's ranking includes a global survey of 15,000 PwC staff around the world—a select group of well-educated, working professionals that may provide different answers than a more balanced cross-section of a city's residents, particularly on measures of cultural interaction and socio-economic mobility, an indicator not always included in city rankings.

A city can transform its reputation and increase its ranking in relatively short order with the right branding campaign—up to a point. Cities that enhance their “brand” at the expense of making real improvements through a combination of economic strategy, perseverance, and political will are likely to find themselves frustrated. Brand and quality are inextricably linked, and city rankings bear this out.

## Consider both today's performance and future trends

Since the time to achieve results even with the best executed municipal strategies can be a matter not of years but of decades, long-term planning supported by credible analysis is an important exercise. São Paulo offers a cautionary tale on the dire consequences of being overtaken by long-term trends. Its creaky infrastructure and poor stewardship of water reserves have led to severe water rationing and disruptions in service, conditions that are not only crippling its ability to function today but potentially impeding future business operations and growth.

By emphasizing how factors such as business investment, sustainability, and climate change might affect the viability of global cities, some rankings can help civic leaders determine which latent strengths might take on added importance in the future. For instance, EIU's *Hot Spots 2025* and fDi Intelligence's *Global Cities of the Future* are forward-looking indexes, attempting to speculate which current leading cities will sustain that leadership over the next several years. EIU's ranking is based both on a city's current performance and its projected improvement or decline by 2025, while fDi Intelligence uses foreign direct investment (FDI) as a proxy for anticipated growth. So while Chicago currently qualifies as a global city due to its large economy, for example, it doesn't appear at the

top of the fDi Intelligence ranking due to its lagging FDI compared with other world cities.

Still other indexes such as A.T. Kearney's *Emerging Cities Index* (a companion to the Global Cities Index) focus not on current leading cities but on those of the future. That index "measures the likelihood that cities in low- and middle-income countries will improve their global standing over the next 10 to 20 years." Several other rankings, including fDi Intelligence, offer companion rankings within the main report that isolate cities by category such as those in emerging markets or in specific regions. These different analyses of the data offer an even more textured perspective on city performance.

## The data issue

Despite the focus of top rankings on analytical rigor—indeed, their authors represent some of the most well-respected public and private research organizations participating in the city rankings exercise—policymakers, businesses, and others tasked with gauging the practical use of city rankings should be aware of the inherent data challenges common to every index.

## Data availability

Unlike country-level data, which is widely available thanks to organizations such as the World Bank and United Nations, the collection of city performance data is still in its infancy. The most fundamental definition of a city—land area—differs from city to city; most rankings adapt available data on foreign cities to approximate a US metropolitan area, but often the process involves estimation and projection. No matter how rigorous rankings attempt to be in their data collection and analysis, the lack of a reliable, internationally comparable data source is a common challenge.

Indexes often award the same score to all of a nation's cities on certain indicators. ARCADIS uses several national indicators from World Bank, including income inequality, literacy, and life expectancy at birth—the last of which is the entirety of the ranking's "health" score. Such simplification ignores the variation at the state and local levels as well as the many efforts that cities can undertake to improve in these areas. Even the most sound city and regional data can gloss over the realities on the ground; crime and unemployment vary wildly across the neighborhoods and boroughs of most large cities, suggesting

that assigning a single crime score to a city is difficult, let alone comparing that score with other cities around the world.

## Lagging indicators

Due to both a lack of data and the labor-intensive gathering effort, many rankings are compendiums of other rankings. The EIU methodology notes that a city's financial maturity score is based on "a review of secondary reports on financial depth, including Z/Yen Group's 2012 *Global Financial Centres Index*." The PwC 2014 digital economy score, included in the "technology readiness" bucket, is based on an EIU report from 2010. And A.T. Kearney's entire 2014 *Global Cities Index* is explained as "a compendium of analyses published in 2013... [which] may represent data as far back as 2010. Thus, today's current events can be expected to show up in our next set of rankings." Such indicators are essentially a snapshot of performance based on trailing data, meaning that a city's progress might not register on these indexes for several years. As the balance of economic power shifts from West to East at an increasingly rapid pace, the most valuable indexes will reflect these macro trends and what they portend for the world's leading metropolitan areas.

## Working toward objective, internationally comparable city performance data

Some reports such as Brookings' *Global MetroMonitor* and McKinsey's *Mapping the Urban World* offer some of the best publicly available data on the world's cities. Both are narrowly focused on macroeconomic data and performance over time; neither purports to be a comprehensive analysis of a city's performance. Of Brookings' two key indicators—annualized growth rate of real GDP per capita and annualized growth rate of employment, applied to 300 cities around the world at every stage of the development spectrum—the report explains, "These are by no means the only metrics that should guide economic policymakers in cities... that noted, the two key metrics in the *Global MetroMonitor* reflect the importance that policymakers and the public attach to achieving rising incomes and standards of living (GDP per capita) as well as generating widespread labor market opportunity (employment)." This recognition of the limited scope of the data helps define its purpose.

Several other organizations, including the Organisation for Economic Co-operation and

## World Council on City Data: The future of global rankings

The Global Cities Institute, led by Professor Patricia McCarney of the University of Toronto, recognized the need for comprehensive, standardized data that would enable the direct comparison of urban centers. Two years ago, McCarney launched the Global Cities Indicator Facility (GCIF), which has developed an information framework in collaboration with international organizations, corporate partners, and experts from more than 20 countries. As of this writing, GCIF has 258 member cities in 82 countries around the world.

While it may sound much like other existing indexes, there's a crucial difference: GCIF registered its indicators and framework with the International Organization for Standardization. The report, *ISO 37120: Sustainable development of communities—Indicators for city services and quality of life*, was published in May 2014 and enables the type of apples-to-apples comparison of cities that have proved elusive to date. The group selected 46 core indicators and 54 supporting indicators in 17 categories (such as economy, governance, health, and transportation). The project is managed by the World Council on City Data (WCCD), also launched in May 2014, which created the certification system and registry for verified ISO 37120 data. Before a city's information is added to the database, it must be verified by an independent third party. Currently, the database is available to participating WCCD cities only.

According to McCarney, most well-functioning cities around the world that dedicate relatively modest resources to the project can complete the data collection in a matter of weeks; a representative of the city planning bureau of Rotterdam, one of 20 WCCD foundation cities, noted that he and a colleague collected about 80 percent of the data in two weeks—since they had already been tracking many of the indicators—and the remaining 20 percent took another four weeks, mostly due to lag time in responses from other agencies and organizations.

The high threshold for data and the active engagement of cities also result in increased collaboration and visibility among members. The Rotterdam representative noted that the project required tracking down data on several indicators the city hadn't been tracking, such as the number of students who finish secondary school and the kilometers of biking paths per 100,000 residents. On the former, the city hadn't realized it was trailing other cities and has begun to implement changes to address the underperformance; on the latter, the city was surprised to learn it performs exceptionally well. Rotterdam also discovered that its air quality is better than perceived. Moreover, Rotterdam has formed several partnerships around the world as a result of the project: Vancouver flew experts on city strategy to Rotterdam to assist city leaders, Helsinki is in closer contact on issues of data collection, and Toronto has swapped tips on resilience strategy.

Several top global cities such as New York, Singapore, and Tokyo have yet to join WCCD. Once they do, the database will enable a truly empirical analysis of city performance at the highest tier. The GCIF will also reinforce a simple truth: Analysis isn't about crowning a top global city but instead highlighting ways that cities can determine their strengths and collaborate more effectively to achieve mutually beneficial aims.

Development (OECD)—which has developed a more consistent definition of urban areas in collaboration with the European Union—and the World Council on City Data (WCCD), are making monumental strides toward smoothing out these data challenges, enabling cities to develop policies based on comparative data analysis (see box above, *World Council on City Data: The future of global rankings*).

## Conclusion

Global cities are in a unique position to shape their future. Top industries reside in these metropolises, acting as a magnet for the brightest minds. If the sweeping problems that the world faces—climate change, stewardship of natural resources, economic inequality—are to be addressed, global cities will be at the vanguard. It is critical that any conversation on the

role of global cities emphasizes how to take advantage of their dynamism and resources. In this task, rankings and indexes can advance this conversation by providing valuable insight—but only if cities understand how to sift through the variations among indexes to extract this insight. So how should cities proceed?

As a first step, city officials and policymakers should use comprehensive rankings such as the PwC *Cities of Opportunity* and the AT Kearney *Global Cities Index* reports to get a detailed sense of their performance based on the most recent available data. It's important to choose an index with a robust and transparent methodology as well as one whose city selection includes a sample of peer cities. Next, cities should look beyond the topline numbers to the underlying indicators, conduct their own analysis of their performance, and identify their strengths and weaknesses compared with their peer group. Cities can ignore indi-

cators that are beyond their control—such as weather or geography—instead focusing on the metrics they can change through more effective policies—for example, increasing tourism or foreign direct investment.

The nature of city rankings is comparative; as such a city must go beyond looking at its own performance and expand its analysis to include peer cities. For example, Chicago may compare itself with top performers such as London and Tokyo, but it should also be looking at cities of comparable size, GDP, geography, maturity, and aspirations for global status—a group that could include a wide range of cities such as Istanbul, Toronto, Seoul, and Sydney. By conducting a detailed analysis of cities within a peer group, officials can get a sense of where they need to improve and the impact of progress. Whenever possible, policymakers should reach out to their counterparts in other relevant cities to learn more about strategies and efforts that have paid dividends. Leaders of economic development agencies, tourism boards, cultural institutions, and think tanks can provide invaluable perspective that can be adapted to each city's needs.

Since a city's progress in many of these areas is measured in years and often decades, officials should also consult forward-looking indexes to gauge their city's future prospects. The lenses of attractiveness for business investment (IBM's *World's Most Competitive Cities*), foreign direct investment (fDi Intelligence's *Global Cities of the Future*), and resilience (Grosvenor's *Resilient Cities*) can provide insight on what businesses care about and where they feel confident placing long-term bets. From these rankings, cities can uncover opportunities to develop certain industries or take advantage of access to natural resources or geography that may take on added importance in the coming years. And for cities looking to identify specific trends or reports focused on key categories of urban life, Jones Lang LaSalle's *The Business of Cities* provides a helpful guide to a large swath of today's rankings. The existing array of indexes provides different lenses for officials to understand their city's performance, and this insight can be incorporated into long-term strategic-planning initiatives.

The rankings, like global cities themselves, have room for improvement. Viewing an index as a judge of the “best” cities obscures more telling insights. When the primary goal is to create headlines or appeal to potential clients, rankings will get in the way of a clear and constructive discourse on how cities can bet-

ter themselves. Instead, by fine-tuning approaches, improving data collection and analysis, and promoting transparency in methodologies, organizations producing city performance literature may yet create an indispensable tool for developing more effective urban strategies and promoting knowledge exchange and collaboration among global cities.

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