

Amy M. Hochadel

LOCAL LEADERSHIP IN A GLOBAL ERA

Policy and Behaviour Change in Cities



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FOREWORD

In this insightful and thoughtfully prepared book, Dr Amy Hochadel draws lessons for local government leaders within globalising metropolitan areas. She reflects on the critical challenges, constraints and choices faced by such leaders in twenty-first-century globalising cities and makes a compelling case that they must address the contradictions and opportunities of our time with proactive leadership and strategies.

This book is grounded in the lived experience of local government leaders in East London, a key area of the UK's capital city. Here the combined forces of historic deindustrialisation and entrenched social disadvantage, international migration, re-urbanisation and capital investment, hosting the Olympic Games in 2012, the emergence of the innovation economy, future cities' technologies, public sector austerity and reform, and increased integration and connectivity with London's global city functions provide a complex and potent mix of diverse social, economic and governance imperatives to which local leaders must respond.

Dr Hochadel develops a framework of ideas that The Brookings Institution's Metropolitan Policy Program and Global Cities Initiative crafted during 2013 and 2014, in which we were centrally involved. Coining the phrase "global fluency" with our colleagues Brad McDearman and Joe Parilla we sought to set a framework of ideas for judging how far metropolitan areas were engaging effectively with the opportunity of globalisation.

In *The Ten Traits of Globally Fluent Metros Areas* (published by Brookings in US and international editions) we defined global fluency as the level of global understanding, competence, practice and reach

that a metro area exhibits to facilitate progress towards its desired economic future. We isolated the 10 key traits associated with cities that have achieved global success.

Many of these traits align with the key inputs to economic competitiveness: distinct specialisations, infrastructure, human capital and innovation, capital investment and good governance to name a few. Together, these traits provide one framework for metropolitan leaders to gauge their global starting point. These 10 traits were distilled from our research of more than 40 cities to be strong determinants of a metro area's ability to succeed in global markets and manage the negative consequences of globalisation. The most successful cities are those that have a long-term outlook and achieve some level of integration between many of the traits.

Dr Hochadel digested the implications of this research and set about her own original work to see how far the traits would help to illuminate the leadership challenges in East London, specifically in the boroughs of Hackney, Tower Hamlets, and Barking & Dagenham. This book is the culmination of that endeavour.

The book provides significant and valuable insights for local government leaders and scholars of political science, city and regional planning, geography and economics. Her key insights surround the importance of proactive leadership. The core observation is that leadership style, strategy and communication are the critical ingredients in helping local government to align with global opportunities that can bring jobs, population, investment and amenities to a locality, and simultaneously find means to manage the distortions that such changes may bring.

Dr Hochadel's analysis reaffirms the distinctive contribution of local leadership to metropolitan areas. Such areas, as they globalise, need effective *local* roadmaps, visions and identities if they are to optimise the benefits that globalisation can bring. Regional strategies alone will not provide the mosaic of adjustments and improvements required locally to make globalisation work. In arguing for, and illustrating, how local leadership contributes to these processes of change in metropolitan areas, Dr Hochadel has an added important local character and evidence base to a body of knowledge that all too often reflects principally on regional aggregates and average situations. The distinctive approaches and different solutions adopted by the three municipalities at the heart of this book illuminate key choices and variables of how leaders might shape their own globalisation agendas.

This compelling book addresses an essential priority that chimes with the emerging global consensus on the Sustainable Development Goals and

the New Urban Agenda. It argues not just that metropolitan areas must adjust to a globalising economic system, but that local governments must, at least in part, lead that process of adjustment and pursue transformational change. To do that, local government leaders need to adopt effective strategies, and as they do so, it becomes clear that important reforms in public finance and institutional development are required. Anyone reading this excellent book cannot fail to observe that the empowerment of local government institutions is an essential element of the means to make globalisation a force for improving the urban quality of life.

London, UK
2017

Greg Clark
Tim Moonen

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This is a book about cities and how people position themselves in cities whilst living in and engaging with a globalised world. I have written the words on these pages, but the project was possible only with the support of many people and those that have come long before me—and have enabled me to be who I am today. In this respect, it is also a story about my people and their cities and journeys in the world starting in Villa Rosa, Italy, and culminating (for now) in London, England.

Both sets of my great-great-grandparents, Pietro Mazzaresse and Rosalia Larocca and Guiseppa Lodico and Calogera Macaluso, lived in the small village of Villa Rosa, Sicily. My great-grandparents, Antonino Mazzaresse and Angelina Lodico, immigrated to New York City in 1910, where my great-grandfather became an immigrant entrepreneur as a vegetable cart busker. From there they followed work in the mining industry to Johnstown, Pennsylvania where my grandmother Rose Mazzaresse was born in 1914. In 1954, my grandmother Rose married Eddie Poraczky, a self-made man who taught himself electrical and structural engineering. Rose and Eddie instilled a love of learning and education as a way to thrive and survive for me and my brother, Saker Alexander. Without their early teachings, to be curious and seek to understand the world around you, I am certain my life would have been much different and less fulfilling. Similarly, my parents, Diane Alexander, Michael Alexander and David Hochadel, all living and working in Youngstown, Ohio, have provided all the love and support a child needs to succeed in the world.

I met my wife, Monica Cunningham, in Cleveland, Ohio after she relocated with her family from Miami, Florida, via Boston, Massachusetts. She

has enhanced my desire to learn by adding a passion for life and for traveling the world to understand not only how we live and love in it, but how everyone else does as well. She has given me the love and support needed for us to take a leap of faith and immigrate to London, England, and for me to pursue my PhD. It was in London, at King's College, where my supervisors, Leila Simona Talani and Alexander Clarkson, along with my friend and colleague Simon McMahon, provided the academic guidance for me to accomplish this book.

It is only through all of these people, their stories, their cities, their love and support that I was able to write this book.

London, UK

Amy M. Hochadel

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Localisation in a Global Economy

In November 2012, Mayor Julian Castro of San Antonio, Texas, spoke to a packed house at the London School of Economics. Mayor Castro was leading a Texan business delegation on a trade mission to London and promoting San Antonio to the global market as a place to do business. In and of itself, this is not unusual activity. Local and state delegations undertake overseas trade missions quite frequently. What was unusual was that whilst Mayor Castro was in London, in addition to encouraging city-to-city business deals between London and San Antonio, he also engaged in several high-level meetings at 10 Downing Street, including private meetings with the Chancellor of the Exchequer and the Foreign Secretary, an activity usually reserved for nation-to-nation diplomacy. “Responding to comments that he had extraordinary access to the UK’s top leaders, Castro said he’s determined to use every bit of political capital he’s garnered ... to sell the city” (Baugh, 2012).

Politics is changing in a globalised world. The tentacles of globalisation, including economic globalisation across developed countries, and social, cultural and environmental globalisation around the world, mean that almost anyone or any entity can now be an actor on the global stage (Sassen, 2004). Globalisation has become a form of global pluralism, or, as Cerny (2010a) coins it, transnational neopluralism.

In a global economy, the role of cities and their leadership is transforming as the role of the nation-state is evolving (Cerny, 2010a). In the UK, as the nation-state moves further down the spectrum from a welfare state to a competition state (Borraz & John, 2004; Brenner, 1998; Cerny, 1997,

2010a, 2010b; Cerny & Evans, 1999), local authorities are increasingly burdened with the responsibility of delivering more public services on smaller budgets while working to increase economic stability and growth in their areas without central government funding support. The analysis details how the transition from pluralism to international neopluralism has enabled the shift from the welfare state domestic lobbying structure to one potentially represented by local officials who intervene at the global level for local domestic agendas of economic development, thus adding another layer to transnational neopluralism.

In an increasingly web-like, interconnected and interdependent economy, global cities have become the apparent hub or command centres of global activities (Sassen, 2001), specifically for new economic sectors, such as technology, and finance. Through greater understanding of and economic alignment with global cities, some local areas appear to be making headway in building a framework for participation in the new economy (Dobbs et al., 2011; Sassen, 2000). Tracing the path from local cities to the global economy, this book explores the changing nature of local elected officials as well as the role of global entrepreneurs in local economic development.

The book examines the changing behaviours of local elected officials and new policies or structures within local government as a result of increasing globalisation, inter-connectivity and inter-dependency. It is proposed that transformational local elected officials in a legislative-activist policy structure are best positioned to contribute to economic development through connecting the local economy to the global economy, and that local entrepreneurship is helping to drive the local-to-global economic activity. The following key questions are considered: What are the behaviours of local officials that contribute to global participation? What are the policies of local government that contribute to global participation? In this scenario, what is the optimal interaction of policy and behaviour? How is innovation and entrepreneurship driving the connection between local and global?

Specifically, the book examines political leadership considering transactional versus transformational behaviours. It seeks to understand *why* they are motivated and whom they feel they represent in carrying out their work. These behaviours are examined in light of local structures as institutions and the shape of local administration, in order to understand *how* local elected officials are engaging in local-to-global activities in which they feel empowered to act on their own and engage in paradiplomacy, or collectively through global networks. The local policy structures examined

are organised as administrative-executor for the traditional form of local government operating within the hierarchy of national or central government, or as legislative-activist representing a new structure for local government operating (at times) independently of central government as well as on the global level. The book explores how the two types of behaviour, transactional and transformational, combine with the two types of local government policy structures, administrative-executor and legislative-activist, to determine if the resulting four dyadic permutations lead to different outcomes in whether a local area is more likely to participate in and benefit from the global economy.

The book examines innovation and entrepreneurship as an economic driver for local-to-global activity. Specific emphasis is given to ethnic, or global, entrepreneurs who are operating at an international level. Ethnic entrepreneurs in this research are considered to be those entrepreneurs who are connected to a migrant group through a common background or cultural experience and, as business owners, leverage that background and experience to take risks, work internationally and seek a value-added perspective (based on previous definitions and works by Aldrich & Waldinger, 1990; McDougall & Oviatt, 2000; Peterson, 1980; Yinger, 1985). Ethnic entrepreneurs establishing start-up businesses in new economic sectors are examined as potential local vehicles for economic growth in building global businesses, and by looking at their behaviours in building local-to-global businesses as well as the various structures that facilitate building “born global” companies. Agency, in the form of postnationalism (Soysal, 1994), is considered to understand *why* ethnic entrepreneurs build local businesses with global reach, and structure is considered through transmigration, to explain *how* ethnic entrepreneurs set up “born global” companies. Postnationalism (Soysal, 1994) refers to the conceptual impact of globalisation on nationality in which nationalism loses meaning through frequent participation in inter- or supranational activities. Postnationalism suggests that a broader set of human rights are applicable beyond rights bestowed by citizenship.

In drawing conclusions on a local area’s level of participation in global economic activities, global fluency of each area is assessed. Global fluency is the term used by Clark and Moonen (2013) to describe the “the level of global understanding, competence, practice, and reach a metropolitan area exhibits in an increasingly interconnected world economy” (p. 3). Three local London case study boroughs are used as in-depth examples of the degree to which changing local government institutional structures

and behaviours contribute to a local area's global fluency, participation in global activity and potentially local economic development. Additional anecdotal examples are provided from cities around the world.

The book looks beyond mega-cities (i.e., New York, London, Tokyo) as the hubs and command centres of globalisation and into more localised areas. It examines what types of local leaders are engaging in global activity and looks at empirical evidence of how they are undertaking the activities. For London, the empirical work focuses on an analysis through interviews of local officials and business leaders alongside a review of economic development documentation in three local London Boroughs.

There is a significant amount of research that analyses the changing economy of local areas. Current research analyses transitions from rusting factories to modern manufacturing bases, technology and new energy hubs; business clusters to maximise a target growth sector and innovative public private models to fund the initiatives (Bagwell, 2008; Hutton, 2008; Porter, 1995). All of these new economic sector initiatives have valid underpinnings in economic research and data on where markets are heading. However, data does not fully explain and conceptualise how the changing behaviours of local elected officials and the structures in which they operate are initiating these conversions. One cannot simply throw the components for local economic success into a pot and stir. In the new economic landscape, these elements need to be driven, negotiated, communicated and championed by a local leader who not only has vision and ability to generate support and followers but also has an understanding of how a local area can benefit from global participation and where the local area may fit into a broader global system. Simply put, there is a leadership skill set required to successfully connect a local economy to a global economy. The gap in the current literature, which this book seeks to contribute to, is identified when seeking to understand the journey that local elected officials have been taking since the modern construct of globalisation, together with an analysis of the changes in policy structure and behaviour that are occurring at the local level as a result of this journey. This research explores the changing roles of local officials from one of transactional leadership in an administrative-executor structure to potentially one of transformational leadership in a legislative-activist policy structure.

The book explores and explains how some local leaders are driven to participate in and seek to influence global policies that may benefit their local economy. In doing so, they feel empowered to act as a direct

participant and negotiator with actors in the global economy. Some local officials specifically choose to support and enact local policies that enable the growth of local businesses helping to connect the local economy to the global marketplace—for example, fostering technology start-up clusters and providing local support for access to capital and digital connectivity infrastructure. These types of local structures and behaviours help develop local entrepreneurs to “go global”, thus improving the local area’s economic standing.

The research seeks to contribute to the existing body of knowledge through providing an in-depth analysis of how behaviour and policy structure play a role in how local elected officials integrate local areas into a global economy and the unique role that ethnic, or global, entrepreneurs may play. The work is based on and expands from several fields including international relations, economics, immigration and politics. In particular, the exploration builds on five areas of seminal research and scholars. First, Joseph Nye’s (2008) analysis of transactional and transformational styles of political leadership is used to explore the *why* of local-to-global activities of elected officials. Second, Philip Cerny’s work (1990, 1997, 2010a, 2010b) on transnational neopluralism and Saskia Sassen’s work (1991, 2000, 2001, 2004) on global cities are both used as frameworks to understand structure, the *how* of the new activities. Third, Yasemin Soysal’s framework for postnational participation (1994), elucidating guest-worker rights, is used to understand *why* local entrepreneurs are motivated to not only build global businesses, but specifically do it as local entrepreneurs and members of a local community. Fourth, Schiller, Basch, and Blanc-Szanton’s work (1992) on transmigration is used to understand the structural component of *how* some entrepreneurs are able to build successful local to global businesses. Last, Clark and Moonen’s *The ten traits of globally fluent metro areas* (2013) is used at the sub-“global city” level to determine what each combination of structure and agency looks like for engagement at the global level on a scale of global fluency.

Increasingly faced with struggling for survival in a globalised age, predicated by ongoing variations in the global economic structure, some local actors are integrating their activities with those occurring at the global level, thereby no longer acting within the framework of the nation-state (Istrate, Rothwell, & Katz, 2010; Sassen, 2001). Nor are they seeking assistance exclusively from the nation-state as it solidifies its position as the competition state and moves further away from the welfare state. More and more local officials are building economic development strategies for

their local authority's future that include planning and interaction with the global economy. Local leaders are considering how to prepare their workforce for a global economy based in knowledge and service industries as they also work to build up a local innovation and entrepreneurial business base with the capabilities of either serving or supporting the global market. They are recruiting international skilled labour and businesses to augment their plans and negotiate directly with global economic actors such as multinational corporations and foreign governments. In addition, some local officials seek to influence international institutions to incorporate rules and regulations, and a structure that allows them to carry out this work at the global level (Sassen, 2004). In doing so, localities are replacing the local economic growth void created by national financial austerity measures and budget cutbacks (Cerny, 2010a; Sassen, 2004; Strange, 2000), with their own growth strategies that involve, to an increasing degree, engagement in global economic activities (Nathan & Lee, 2011; Sepulveda, Syrett, & Lyon, 2011). Thus, local elected officials and entrepreneurs are economically empowered to become active participants in local politics as they establish "born global" companies in new economic sectors.

POLICY STRUCTURE: TRANSNATIONAL NEOPLURALISM, GLOBAL CITIES AND TRANSMIGRATION

Mayor Jules Pipe of the London Borough of Hackney encourages and supports his local councillors to engage at the EU and global level for economic and social issues impacting Hackney. Pipe utilises EU funding streams for social services in the Borough and has put several structures in place supporting local innovation and entrepreneurs to engage at the global level. At Hackney's 2014 Mayor's business awards, Pipe said, "These awards represent the vast diversity of businesses in the borough. From internationally renowned creative and design agencies to art galleries; from child-care businesses to firms arranging holidays for disabled people; from new apps to multinational digital enterprises, Hackney has it all" (Gheerbrant, 2014).

In this book, several aspects of globalisation are considered that directly relate to the issues of local political activity aligned with events on the global stage. A number of areas covered by existing research are expanded upon (globalisation, localisation, paradiplomacy) and added to

(transmigration) including institutional theories of transnational neopluralism and the framework for global cities as they now relate to actions at a local level (Cerny 2010a, 2010b; Duchachek, 1986, 1990; Michelmann & Soldatos, 1990; Sassen, 2001; Schiller et al., 1992; Soysal, 1994).

Cerny (2010a, 2010b) argues that the basis of what we believe to be the static structure of politics and power is rapidly transforming into a multitude of web-like, enmeshed connections that cross all boundaries, both horizontal and vertical. Borders are becoming permeable as there are no longer clear delineations of inter-state interactions or up-and-down intra-state hierarchical structures, for example, the national role versus the local role. Power and politics are now pursued across broad issue areas and between various actors who can operate on a local level as city representatives, or regionally as European Union (EU) institutions, or based in international activity such as with non-governmental organisations (NGOs) or corporate financial entities. Cerny argues that even among and between these various levels and players there exists yet further “crosscuttings” and an increasing “pluralisation” of politics and issues. Further, Cerny discusses how all of these interactions are not easily mapped as they are uneven and choppy (Cerny, 2010a, 2010b). In essence, the actors are “making it up” as they go, creating new pathways and methodologies, disregarding established protocols, driven by a desire and necessity to fulfil their own needs, pursue their own interests and represent their various constituency bases at the same time as seeking access to a larger platform to achieve their desired results. Cerny maintains that the nation-state is still relevant, albeit in a different capacity, acting as a “sieve” for ensuing global activities. However, it is argued here that the nation-state has become less relevant in a range of issues, for example, climate change and new energy technology, as these issues gain more relevance for local actors on the global stage. For example, many local governments are not directly engaging with central government on climate change, but are instead acting at the global level where their efforts can surpass those of central government. It is these issues where the central government is either not supporting local government, such as economic development, or in which central government is happy to let local government act independently, such as climate change, that are creating the opening directly from the local to the global stage.

Sassen’s definitive work, *The global city: New York, London, Tokyo* (2001), lays out what is widely considered the modern framework of the transformations of the largest cities on the planet from postindustrial to modern information, technology and financial centres.

Sassen reveals how activity from the 1980s and 1990s gave rise to the beginnings of a new financial industry based in city centre high-rise office buildings. Similarly, the decline of blue-collar workers gives way to a white-collar service and information workers. It is during these Reagan and Thatcher years that we see the sprouting seeds of the modern economy through policy-making that includes deregulation in the UK, followed in the USA by repeal of the Glass-Steagall Act in the 1990s, thus effectively removing any regulations or government control between investment and commercial banking. From this point forward, the foundations of modern global cities take hold with an almost devoted emphasis on finance, technology and information, and service industries (Sassen, 2001). The former paradigm of large cities as industrial manufacturing powerhouses has given way to global cities with four primary attributes (Sassen, 2001): global economy command centres, finance and service industry bases, production and innovation sites for finance and service industries, and the marketplace for the ensuing innovative products. Sassen contends that global cities are now the headquarters for financial, technical and service-based industries in the information economy.

BEHAVIOUR: TRANSFORMATIONAL LOCAL LEADERSHIP, INNOVATION AND ENTREPRENEURSHIP

In *The Medici effect* (2004), Frans Johansson provides examples of business or scientific masterpieces where there is an intersection of leadership and innovation, where public policy intersects economics, where the local intersects the global, and where the manifestation is nothing less than transformational. This unique leadership intersection requires great risk-taking, vision, understanding of competitive advantage and openness to dynamic change (Johansson, 2004). This, in essence, is the transformational leadership taking place in some local areas in response to adverse economic effects of globalisation. However, the research here does not judge the moral outcome of the leadership, but explores the *how* and *why* of local transformational leadership as it relates to the impact of globalisation. The term “transformational leader” should immediately be distinguished from good or bad, effective or ineffective leadership. Not all transformational leaders create positive change and some claim globalisation leads to a widening of the wealth gap (Held, 1999; Held & McGrew, 2003; Krugman & Venables, 1995; Stiglitz, 2002, 2006, 2012; United Nations, 2005, 2011).

The research conducted here is bolstered by the premise of transformational leaders initiating and driving systemic change that results in all other iterations in the system, as a pebble in water sends out ripples. Nye (2008) provides comprehensive and comparative literature on transactional and transformative leadership and their “eventful” or “event-making” results in creating a “text-book” on modern leadership, describing its history, impetus, variations, characteristics, contextual implications and outcomes as either positive or negative. Of particular interest here is Nye’s theory on leadership “charisma”, describing the transformational versus the transactional leader and the events they shape being either system-maintaining or changing the course of history. It is presented here that the specific type of leader that may bring about change at the local level by influencing activities at the global level is one that is transformational, creating event-making intersections.

These activities are placed within the context of the local political power structure defined by Gerry Stoker. His overview (Stoker, 1991) of key historical events impacting UK local authorities help frame the current state of affairs at the local level. Through the mid-70s, local authorities were seen taking on enormous responsibility for management and delivery of multiple public services, as a result of state policy requiring local delivery and implementation. Localities that previously managed basic municipal needs, zoning, city ordinances, basic public welfare and safety issues, were taking on economic development as a central response to issues such as high unemployment and national funding cuts to local areas for development purposes. Localities struggled with this new role and responsibility as they themselves felt the strains of the recession (Fox Przeworski, Goddard, & de Jong, 1991).

These changes created animated activity at the local level: a thriving, active and highly participatory political landscape dominated by party politics (Stoker, 1991). The 1970s and 1980s also revealed a pivotal shifting point in many social science and economic disciplines when the oil crisis (1973) transformed the global economy and the modern industrial nation. It was at this crucial point that several significant shifts began to take hold that persist today within the structure of localities and their responsibilities towards the economic well-being of their areas.

For local representatives, the rise of global cities has two very different potential outcomes. These two outcomes conceptually correlate to the two leadership models, transactional and transformational, outlined by Nye (2008) and which are linked to why local leadership may align their activities to global economic activities.

One not uncommon outcome is for former heavy manufacturing bases to fail to make the transition to the modern economy based in new technology, finance and service. This does not mean that manufacturing is dead as an industry but, in many places, the manufacturing bases have been forced into antiquity by new light-weight manufacturing built with technology rather than manual labour. Where a heavy manufacturing base might have converted to modern manufacturing, the structures of local government or behaviours of local elected officials may not have taken advantage of the opportunity to facilitate the action. In addition, and more significantly, deregulation on a broader scale enabled many of the larger corporate manufacturing bases to relocate offshore to benefit from lower taxes and cheaper labour. Local leaders fought to maintain the status quo and keep factories functioning while working to change trade rules facilitating factory closure and departure. This type of activity correlates to the transactional style of leadership expanded on below.

The alternative would be a proactive approach in seeking constant arenas for growth that align with the new economy while maintaining vigilant activism on issues of international trade agreements which benefit corporate entities. Some local areas, which have been distressed by loss of heavy manufacturing in trade deals, have innovatively converted out-dated heavy steel plants to modern alloys and metals, or to manufacturing and assembling new energy technologies (Schneider, 2012). This aligns with Nye's (2008) transformational leadership model.

The "politics" of local politics is multifaceted and complex. Competing interests, and interest groups, constituencies and community needs are all engaged in a vast array of issues, including local development issues at the global level. National policies, whether good or bad, successful or harmful, are enacted, tested and gauged by how the locality reacts. Conversely, when national policy is failing to address the needs of local constituencies, it is the responsibility of those local authorities to step in, and innovatively address the issues, even if that issue is the failing of the international state of finance. It is particularly the topic of economic vitality and development which frequently becomes the bane as well as the pulse and heartbeat of local communities, and which transformational leaders are taking into their own hands. They are transcending the previously constraining administrative policy duties of local government and enabling a legislative-activist structure, driving "event-making" economic change at the local level through direct influence on the global stage.