

Intellectual Capital Drives Boston's Record as a Top Location for Business

Boston's unique mix of intellectual capital, health care and medical research, higher education, financial services, and high technology have earned Boston a high rank on *Fortune* magazine's Best Cities for Business list in six out of the nine annual surveys it had published. While each survey in the series focused on a different characteristic held by American cities with successful business climates, Boston usually emerged at or near the top of the list. Boston's intellectual capital and entrepreneurial prowess were repeatedly cited as the principal reasons for Boston's selection as a "best city for business." The city's charm and livability also were praised. But it was the city's concentration of colleges and universities, world-renowned hospitals, cutting-edge research centers, and deep pocket venture capital and financial services firms that generally set Boston apart from its peers across the nation.



Recently, *Fortune* discontinued its practice of rating the best cities in the country in terms of their "business climates." While attempts at ranking very different cities by a common criteria are difficult, they are also instructive. Now that *Fortune* has stopped the practice, it might be useful to review how Boston fared in the *Fortune* rankings.

1999 Hottest Corporate Locations

In 1999, when the city last appeared in *Fortune*'s top-ten list, Boston was ranked #9th in the category *Hottest Corporate Locations*. *Fortune* pointed out that Boston's high concentration of colleges and universities and the intelligence of graduates entering Boston's workforce have combined to make Boston a prime location for a corporate powerhouse. "Bright people from all over the world show up and go to school," noted *Fortune*. "Then they like the area so much, they never leave."

1997 Most Improved Cities

In 1997, Boston made a strong showing on *Fortune*'s list as #3rd in the category of *The Most Improved Cities for Businesses*. "Despite being three decades shy of its 400th birthday," *Fortune* noted, "this city that holds dear its peculiar mix of Brahmin blood and working-class pride suddenly has found new energy."

1996 Best Cities for Work & Family

In 1996, Boston ranked #13th in *The Best Cities for Work and Family* category. *Fortune* referred to the city's "livability" and diversity of community events such as university lectures, sailing on the Charles, and concerts on the Esplanade. Another reason *Fortune* singled out Boston as a good place for work and family is that the city has more doctors per 100 residents than any other city in the country. *Fortune* commented that Boston is such a livable city "that it's even a great place to get sick."



1995 Best Cities to Live and Work

In 1995, Boston appeared on the Best Cities to Live and Work list at #5th. The magazine gave the city high marks for its diverse economy, colonial charm and successful high tech industry. Once again, Boston's status as the "Athens of America" contributed to its ranking. "Few places match the intellectual power of Boston," *Fortune* noted of the area. "A critical mass of local colleges and universities promises to constantly replenish the supply of talent in the local economy."

1993 America's Knowledge Workers

In 1993, Boston was ranked #3rd under the category *Where to Find America's Knowledge Workers*. Only Raleigh/Durham, North Carolina and New York City bested Boston in this area. The category was ideally suited for Boston, as the city is home to 36 colleges and universities and more than 135,000 students.

1992 Top International Business Cities

Boston appeared on *Fortune*'s first list in 1992, ranked #9th in the category of *Top International Business Cities*. The magazine cited Boston's excellent international reputation, its high proportion of skilled workers and the visionary Central Artery/Third Harbor Tunnel project as reasons to recommend the city as a place to do business. "Bostonians endure," *Fortune* said. "They have loads of smarts, with all those colleges and college graduates."

ERA OF GROWTH

The key to the city's success has been its intellectual capital that is produced by and continues to attract people to some of the best colleges and universities, hospitals, and medical research facilities in the country. These institutions, along with numerous independent research facilities, have made Boston one of the leading cities in the nation in attracting federal research and development funds, which amounted to \$1.2 billion in 2001.

The city is not taking its success for granted. The Boston Redevelopment Authority has encouraged the building of new research facilities to help increase the pace of leading edge research and development in health care and biotechnology.

Other cities, however, are beginning to follow Boston's example by vying more strongly for research dollars and emphasizing their own intellectual strengths. At the same time, Massachusetts has been forced by its fiscal crisis to disinvest in two of its leading industries – education and health care. Boston and Massachusetts must strategically plan the next phases of investment in higher education, health care, and research and development if they are to remain national leaders.



Accomplishments

- Boston has led all cities in the United States since 1994 in attracting National Institutes of Health funding. In FY 2001, Boston received \$1.2 billion in awards from the NIH. This included 2,858 research grants totaling more than \$1.1 billion, as well as 152 training grants adding up to \$42,031,154.
- From 1991 to 2000, almost 2 million square feet of new research and laboratory space were built in Boston. Today, there are 3.2 million square feet worth \$969 million in the pipeline.
- Boston's colleges, *Fortune* explained, "pump \$5 billion into the local economy annually, and are a magnet for innovative enterprises of all types." At that time, the magazine was impressed that 28.8% of Boston area residents over age 25 had earned a Bachelor's degree or higher. Today, that number has risen to 35.5%. Further, with 55% of the population over 25 having some college education or higher, Boston has reinforced its standing as a center of intellectual capital.
- *Fortune* also noted that more patents were issued in the Boston area, than all but two cities on *Fortune's* list: Chicago and San Jose.

CONCLUSION

In describing the best business cities in its nine-year series, *Fortune* magazine consistently praised Boston's intellectual capital as the source of its prominence among the nation's large cities. And in 1999, when Boston last appeared on the list, *Fortune* recognized the importance of Boston maintaining its standing as a leading intellectual center and encouraged Boston "to attract even more talented people – in ways that will weather the next recession, the one after, and the one after that."

While *Fortune* magazine may have ended its rankings of the best cities in which to do business, the City of Boston is poised to begin a new era of growth. This new era will be fueled by the completion of the Big Dig and the billions of dollars in new infrastructure it will bring on line, as well as the planned development of the South Boston waterfront as the city's new commercial frontier. Add to all that, a strong and diverse economy as well as a great environment in which to raise a family and you have Boston's formula for success and staying power.

But the future is not guaranteed. To date Boston has resisted the recession because of its strong and diverse economy. In order to maintain its high standing as a center of business excellence, however, Boston must work hard to persevere in the face of America's and the state's recent financial downturns.

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INSIGHT 02-4
October 2002

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