

## Diversity and local business structure in European urban contexts

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### Abstract

This article investigates the interconnectedness between neighbourhood diversity and local business structures. For this purpose, interviews with residents and entrepreneurs were conducted in three European cities: Budapest, Copenhagen, and Milan. The results show that diversity in the economic structure of urban neighbourhoods is equally important with regards to residents' quality of life, the image of the neighbourhood, and local social cohesion. Therefore, the main recommendation is that policy makers should act to preserve the diversity of local business structures, and that the concept of diversity itself should be understood in a broader sense, taking local peculiarities into account.

**Keywords:** urban diversity, local entrepreneurship, neighbourhood services, business ecosystem, comparative analysis

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### Introduction

Contemporary cities are getting more diversified with regards the ethnic, cultural, and socio-economic composition of their residents (VERTOVEC, S. 2007; SCHILLER, M. 2016). The diversification of population has a profound impact on local business structure and the variety of services, vice versa, the diversification of businesses not only satisfies residents' demand but also attracts people with different socio-economic background, and influences people's socio-spatial practices and thereby diversity in general (NICHOLLS, W. and UTERMARK, J. 2016; VAN GENT, W. and MUSTERD, S. 2016).

In this study, the concept of hyper-diversity (TASAN-KOK, T. *et al.* 2013) is applied in the

study of the interrelationship between diversifying business structures and the attitude of local entrepreneurs and residents at the neighbourhood level. Increasingly thematised in public discourse, hyper-diversity is defined in this study as the diversification of the population not only in socio-economic and ethnic terms but also regarding lifestyle, attitudes and activities (Ibid). The concept of hyper-diversity offers new insights into a better understanding of the increasing complexities of urban societal and economic processes, and it also serves as the basis of new instruments for formulating policy recommendations for local stakeholders (TASAN-KOK, T. *et al.* 2017).

This paper links two major strands of diversity research that recently appeared in

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the literature. On the one hand, it builds on recent findings regarding the economic impacts of diversity, focusing on how the diversification of local businesses shapes urban space (e.g., HATZIPROKOPIOU, P. *et al.* 2016). In this regard, there is a common assumption in the literature that local enterprises and services are strongly linked to residents' everyday practices, and they actively shape perceptions of urban economy and diversity (e.g., SYRETT, S. and SPULVEDA, L. 2011). The concept of hyper-diversity is also aimed to shed light on new dimensions of interconnection between diversity and local firms, moving beyond viewing diversity merely in relation to migration and ethnic background (TASAN-KOK, T. *et al.* 2013).

The other strand of academic discourse relevant to this study is related to international comparative research on diversity. Recent studies in the field have emphasised the role of emerging new forms and conditions of diversity as well as their policy implications in various urban contexts (MEISSNER, F. and VERTOVEC, S. 2015; RATH, J. and SWAGERMAN, A. 2015; RACO, M. 2018). Since urban diversity is a dynamic phenomenon, the social composition of neighbourhoods and the everyday practices of residents can change quickly even within a relatively short period of time. However, policies often lag behind 'real world changes', and appropriate responses are hindered by the increasing fluidity and complexity of societal relations (VERTOVEC, S. 2009). In this study the analytical triad framework of VERTOVEC, S. (2009) is combined with the hyper-diversity concept which allows for a broader understanding of diversity, not limited by the conventional approach of solely focusing on migration background.

The main aim of this paper is to analyse the interconnectedness of neighbourhood diversity and local business structure in different urban contexts. For the sake of analysis, field research, including interviews with residents and entrepreneurs, was carried out in rapidly changing and highly diverse neighbourhoods in three European cities: Budapest, Copenhagen, and Milan.

The remaining part of the paper is divided into four sections. First, a literature review is presented in order to lay out the theoretical framework for the research, leading to the formulation of the main research questions. The subsequent section describes the research methods and the case study areas. This is followed by the analysis of the empirical research data. In the final section main research findings are discussed and their most important policy implications are highlighted.

### **Neighbourhood diversity and business ecosystems**

The growing diversity of contemporary urban societies is the outcome of increasing migration, growing ethnic and cultural intermixing (FAIST, T. 2009; VERTOVEC, S. 2010); emerging new identities (VALENTINE, G. 2013); accelerating social mobility and an increase in the complexity of the human resource pool (SYRETT, S. and SPULVEDA, L. 2011, 2012); and also social segmentation resulting from varying access to consumption goods and assets (JAYNE, M. 2006). Due to their increased heterogeneity, VERTOVEC, S. (2007) labelled urban societies as super-diverse, which is an especially fitting term in North American and Western European cities impacted by intense immigration in recent decades. The term super-diversity also refers to the fact that immigrant communities show high levels of heterogeneity in terms of their socio-demographic composition, religious affiliation, social status, and political views. In this study, we intend to go one step further by using the concept of hyper-diversity, according to which cities are getting more diverse not only in socio-economic and ethnic terms but also regarding the lifestyles, attitudes, and daily activities of their residents (TASAN-KOK, T. *et al.* 2013). The concept of hyper-diversity assumes that personal identities and social affiliations are marked by increased diversity due to significant variety in structures, paths, and trajectories of belonging. The policy relevance of hyper-diversity lies in the fact that

‘traditional’ social categories, like race or nationality, hinder effective policy-making and action, therefore the context-dependent characteristics of different neighbourhoods as well as hyper-diverse societal and economic formations should be taken into account (RACO, M. and TASAN-KOK, T. 2019).

Recent studies suggest that diversity has a positive impact on urban economies. Diverse urban societies have several resources that are favourable in terms of starting a business. A tolerant, ethnically and culturally diverse urban milieu also attracts creative people, who may eventually launch businesses of their own (FLORIDA, R. 2002). In addition, attractive urban environments, available amenities, and versatile social networks can all be crucial factors in attracting and binding entrepreneurs to a city or a neighbourhood (VAN KEMPEN, R. 2006). Ethnic diversity and the presence of long-established immigrant communities may also lead to higher enterprise density. In addition, by tapping into ethnic market niches and making use of social capital, immigrants are more likely to set up a business venture in diverse neighbourhoods (KLOOSTERMAN, R. and RATH, J. 2001), as demonstrated by research carried out in Amsterdam and Rotterdam (KLOOSTERMAN, R. and VAN DER LEUN, J.P. 1999), and in Antwerp and Izmir (TASAN-KOK, T. and VRANKEN, J. 2008; ERAYDIN, A. et al. 2010). Cross-cultural encounters between ethnic and immigrant communities can also result in a more thriving local business sphere, as was shown in a case study conducted on Walworth Road in London (HALL, S.M. 2011). In general, a more diverse population produces and distributes a wider range of information and creates a market for a broader range of goods and services, thereby inspiring an increased number of people to contribute to meeting market demand by setting up businesses of their own (SAXENIAN, A.L. 1999; RODRÍGUEZ-POSE, A. and STORPER, M. 2006; NATHAN, M. 2011; BARBERIS, E. and SOLANO, G. 2018).

By affecting the development of local enterprises, diversity also influences the range of services available in a neighbourhood. Greater diversity in the population, for in-

stance, may result in the creation of new services (LEADBEATER, C. 2008) by means of connecting and fusing dissimilar or disconnected markets, products, suppliers, and consumers. Emerging new products and new skills, in turn, may positively influence productivity, as BELLINI, E. et al. (2008) demonstrated in their study using data of NUTS3 regions in 12 European countries. However, other studies suggest a different relationship between diversity and local services. Using the Census Bureau’s Zip Code Business Pattern data for New York, MELTZER, R. and SCHUETZ, J. (2012), for example, found that neighbourhoods with higher shares of less affluent and minority residents have lower numbers of retail facilities and less diversity in retail supply than wealthier and predominantly white neighbourhoods.

Although it is widely accepted in the literature that there is a positive relationship between urban diversity and the range of available amenities and services at neighbourhood level, it is also acknowledged that conflicts can emerge in connection with access to such amenities and services. For example, variegated needs may lead to tensions over the provision of public services (BORCK, R. 2007; SYRETT, S. and SEPULVEDA, L. 2011). This is also well-demonstrated in neighbourhoods affected by urban regeneration where the relocation of traditional small businesses and the marginalisation of their clientele (mainly long-term, less affluent residents) are often observed (ZUKIN, S. et al. 2009). The commercial transformation of a neighbourhood may facilitate the marginalisation of less affluent residents, resulting in their physical and symbolic exclusion from the production of urban space (TALEN, E. 2010; SHAW, S.J. 2011). However, particular configurations of social relations can create urban milieus in which diversity becomes a saleable asset without harming local communities (ZUKIN, S. and KOSTA, E. 2004; CHAN, W.F. 2005). All of these findings indicate the relevance of analysing power relations that permeate representations of diversity, otherness, and boundaries between more and less accepted forms of social difference.

Previous research suggests that there is a link between neighbourhood businesses and representations of diversity. Urban commercial spaces are settings for complex and conflict-ridden negotiations of social difference and diversity (EVERTS, J. 2010; PASTORE, F. and PONZO, I. 2016). For example, according to PIEKUT, A. and VALENTINE, G. (2017), encounters in different spaces affect the acceptance of diversity in different ways. On the one hand, encounters in spaces of socialisation and consumption have a favourable impact on attitudes towards ethnic and religious minorities. On the other hand, CAMINA, M.M. and WOOD, M.J. (2009) point out that while retail facilities serve as the setting for a considerable proportion of daily encounters, the features of these places do not necessarily allow for close contact. Citing GILROY, P. (2004), JONES, H. *et al.* (2015) argue that although globalized consumption spaces (e.g., plazas, franchised cafés) often bring together a multicultural mix of consumers, encounters in these spaces can be better understood in terms of the notion of ‘civil inattention’, given that the people there rarely want to establish closer contact with people from other social groups. To sum up, power relations are clearly at play in commercial service provision and consumption, in that, dominant social groups can exert control over the aesthetic representations, public images, and social utilisation of space, thereby exercising a kind of symbolic ownership which leads to the exclusion of alternative forms of diversity.

The complexity of the interconnectedness between diversity and services available to inhabitants is aptly described by HIEBERT, D. *et al.* (2014) in their study on urban markets. First of all, markets bring together people with very different backgrounds, structuring the encounters between them. Secondly, markets reflect diversity in terms of the commercial and consumption activities of minorities, and they may shape social perceptions and stereotypes with respect to the groups concerned. Furthermore, such mental constructs influence the way difference and diversity are perceived and accepted, as there

is a close connection between consumption and the social construction of diversity due to the fact that diversity and economic activities affect each other. HIEBERT, D. *et al.* (2014) refer to VERTOVEC’s (2009) analytical framework for diversity research and suggest that the complexities of social differentiation can be better understood if diversity is investigated in terms of three analytical domains: configurations, representations, encounters.

The structural–discursive–interactional conceptual triad conceptualised by VERTOVEC, S. (2009, 2010) consists of the following three elements:

(1) ‘Configurations’ refer to measurable aspects of diversity (e.g., the distribution of the population by age, sex, origin, etc.) and its political, legal, and economic contexts.

(2) ‘Representations’ show how diversity is conceived of by different groups in a society, including both dominant representations (e.g., official categorisations, models, policies) and demotic representations (e.g., everyday ideas, social narratives, folk art).

(3) ‘Encounters’ cover experiences in connection with diversity in everyday life through interpersonal and inter-group relations.

These three domains are distinguished from each other only for “methodological abstraction and analytical interrelation” (VERTOVEC, S. 2015, p. 15); otherwise they mutually affect each other. Furthermore, the domains are in a constant state of change, but each of them changes at a different pace, which results in a domain lag (VERTOVEC, S. 2009). This means that policy-making cannot always follow the dynamism of social practices, emerging societal constructs, and hybrid identities. Based on the literature, research questions addressed in this paper are as follows:

(1) What is the interrelationship between diversity and local business structure in urban neighbourhoods?

(2) In what ways does diversity impact the quality and spectrum of consumer services in urban neighbourhoods?

(3) How urban policy can facilitate concerted actions regarding neighbourhood diversity in order to boost local economies?

## Research methods and case study areas

This study is based primarily on qualitative research methods. Between September 2014 and March 2015, a total of 150 in-depth interviews (50 in each case study area) were conducted with inhabitants of three European neighbourhoods: Józsefváros (Budapest), Bispebjerg (Copenhagen), and the north-eastern area of Milan (covering the district of Niguarda and the district of via Padova). Interviewees were asked about their local experiences, everyday activities, social networks, and relations to the neighbourhood. In addition, 120 interviews were conducted with entrepreneurs (40 in each case study area) between September 2015 and January 2016. The entrepreneurs were asked about their motivations for launching a business, the evolution and the current performance of their business, long-term plans, customers and suppliers, relationships with other entrepreneurs, and the importance of location and social diversity. In addition, relevant national, city-wide, and neighbourhood diversity-related policy documents were analysed.

The socio-economic profile of residents in the case study areas is shown by *Table 1*. Józsefváros is the 8<sup>th</sup> district of Budapest with about 76,000 inhabitants and is one of the most diverse areas of the city regarding its population, building stock, public spaces, and service provision. Traditionally, it has always been a lower-class district within Budapest, but recent urban renewal programs have changed the urban landscape resulting

in the influx of younger and better off strata (BERÉNYI, E.B. and SZABÓ, B. 2009; NZIMANDE, N.P. and FABULA, SZ. 2020). The district is also a popular destination for in-migrants from other parts of the country and more recently from abroad. Consequently, the proportion of non-Hungarian ethnic groups is much higher in Józsefváros than the Budapest average (11.9% and 7.8%, respectively, in 2011).

*Bispebjerg* is located North of the centre of Copenhagen and has approximately 55,000 inhabitants. It is a highly diverse area in terms of income level, education and occupation, household structure, and ethnicity, and also with regard to the lifestyles and living conditions of residents. Similar to Józsefváros, it has traditionally been a lower-class area, but its social composition has been changing recently due to urban renewal programs. However, the neighbourhood is still relatively deprived in comparison to the rest of Copenhagen. Its different parts are also very diverse, not only in terms of social and ethnic composition, but also regarding the activities of residents, the quality of services, and the built environment. In 2013, residents of non-Danish origin accounted for approx. 30 per cent of the local population, compared to approx. 11 per cent for the whole of Denmark.

The case study area in Milan (*Niguarda* and *via Padova*) has 73,000 residents and is one of the most diversified areas in the city in terms of population and household composition (with approx. 25% foreigners), age and income. This area has also undergone signifi-

*Table 1. Main socio-demographic indicators of the case study areas*

Indicators	Józsefváros (Budapest)	Bispebjerg (Copenhagen)	Via Padova–Niguarda (Milan)
Area, km <sup>2</sup>	6.85	6.83	6.31
Total population, persons	76,446 (2018)	55,239 (2018)	73,876 (2017)
Average age of local population, years	40.70 (2011)	35.40 (2018)	45.70 (2017)
Residents holding foreign/multiple citizenship, %	11.90 (2011)	15.00 (2019)	24.60 (2017)
Unemployment rate, %	1.33 (2019)	3.90 (2017)	8.20 (2011)
Rate of social housing, %	10.00 (2017)	32.00 (2019)	5.60 (2011)**
Residents holding a degree, %	27.04 (2011)	43.20 (2018)	17.30 (2011)***
Average annual per capita income, EUR	Approx. 7,500 (2016)	Approx. 24,000 (2016)*	Approx. 24,000 (2017)****

\*The lowest in Copenhagen. \*\*Share of residential buildings owned by public institutions. \*\*\*Estimated data. \*\*\*\*Estimate based on the average officially declared taxable income at municipal level (EUR 30,737).

cant changes in recent decades, with migrant flows coming first from the surrounding countryside and northern Italy, then from southern Italy (FOOT, J. 1997), and, in recent years, from outside Europe. Coupled with social mobility processes, the mix of old and newly built housing stock has created plural segments in terms of social class, age, ethnicity, and identity (ARRIGONI, P. 2010).

Because of their limited number, the three neighbourhoods merely illustrate our arguments rather than allowing for rigorous comparison. However, the selection procedure applied in the study is far from random, as the case study areas represent various types of cities in Europe (Scandinavian welfare-state, post-communist, and Southern European), each with quite different points of departure to become a hyper-diverse city.

### **Relationship between urban diversity and local businesses – evidence from Budapest, Copenhagen, and Milan**

The analytical part of the paper is based on VERTOVEC'S (2009) conceptual triad. Accordingly, the following sections discuss configurations, representations, and encounters with respect to diversity in the three case study areas, with a focus on the connection between the experiences of residents and changes in local business structures.

#### *Configurations*

The diversity of the investigated neighbourhoods shows distinct similarities. First, their built environment and population exhibit 'mosaicity', and, due to historical legacies (i.e., the fact that they are traditionally blue-collar neighbourhoods), the share of smaller and lower-quality dwellings and less affluent households is still relatively high. Second, recent renewal activities have resulted in upmarket housing and attracted better-off residents. Third, in all three neighbourhoods, the share of the non-native population in the

total population is higher than the city average. In the case study areas in Copenhagen and Milan there are sizeable immigrant communities, whereas in Józsefváros (Budapest), the share of Roma ethnic group is sizeable. It is also important to note that even though the case study areas have recently become targets of urban regeneration, nevertheless, housing prices remained lower in these neighbourhoods in the last few years compared to other parts of the cities. As a result, all three areas can be considered as entry-points where immigrants can find a niche in the housing and labour markets of the investigated cities.

I lived here for 7–8 years. My home was at the end of this street. Over the years, I witnessed the dynamic improvement of this neighbourhood (Palotanegyed). I saw Krúdy Street become a very popular part of the city during the last couple of years. Also, local hotels have attracted many tourists, which has resulted in higher purchasing power in the area. The price of residential properties here just keeps rising, while the proportion of well-to-do people is increasing. (Female, 37 years old, ethnic Hungarian, owner of a vegan bistro and gift shop, Budapest.)

The level of socio-spatial segregation did not reach extreme levels in the studied neighbourhoods in the past, but rather a social-mix prevailed due to the diversified local housing stock (palaces of the bourgeoisie, high-rise tenements, and low-rise housing etc.). However, recent regeneration programmes and concomitant societal changes have induced new segregation processes that shrink the opportunities of social interactions. At the same time, these processes have also created new opportunities for intercultural encounters. The relevance of hyper-diversity is especially evident in cases when similarities in lifestyle bring together residents with very different demographic, socio-economic, and ethnic backgrounds.

There is a Danish woman, she is like 100 per cent Danish, but we used to be able to communicate really well nonetheless. Nowadays, we're both very busy so we don't meet that much, but we used to talk about personal problems and things like that, since she's a single mum, too. (Female, 24 years old, student and single mother, with Iraqi background, living in social housing, Copenhagen.)

Increasing neighbourhood diversity in the case study areas manifests itself in the diversification of lifestyles, consumption practices, and local businesses as well. As regards the structure of these local businesses, the business types identified in the three cities do show some variation, but there are certain types that are common to all of them. First, in all three cities, there are a number of traditional small enterprises (e.g., artisan shops) with low profit rates, mostly owned by native locals, many of whom mirror the old working-class character of the case study areas. Second, ethno-businesses are also common in all three areas. Established by immigrants, most of these businesses offer low-innovation services, such as catering, retailing in convenience stores, or specialist retailing (e.g., selling Iranian carpets). Third, global chain stores as well as creative firms and technology-intensive firms are also present in the three neighbourhoods, with the latter type mostly managed by younger entrepreneurs who belong to the native population. In conclusion, the composition of the local business environment in the case study areas demonstrates how the societal transformation and diversification of these neighbourhoods may re-configure economic activities and local services.

The relevance of the hyper-diversity concept is also indicated by the variation between subgroups of local entrepreneurs which may be distinguished from each other in terms of their motives for starting a business as well as their clientele. Some of the interviewees chose entrepreneurship to engage in economic activities in line with their lifestyle preferences. This is what was done, for example, by single parents who want increased independence and flexibility in running their own business. Others launched businesses in response to changes in social composition in the case study areas, trying to satisfy new forms of consumer demand (e.g., demand for a vegan food store or a paleo pastry shop). Other notable subgroups include hobby entrepreneurs who transformed their free-time activities into a business (e.g., artists, craftsmen), social entrepreneurs, and family enterprises.

It must be noted, however, that individual members of each subgroup may have very different social backgrounds (for instance, the category of family businesses is made up of both immigrants and natives). It follows that local economic activities point to the disappearance of boundaries between rigid societal categories as well as the growing significance of lifestyle, range of interests, and activities.

Diversification affects not only the composition of the population and the businesses in the neighbourhoods but also local power relations. Although the share of worse-off households is still relatively high in the case study areas, urban regeneration projects have triggered gentrification. Such processes often involve the expansion of transnational companies and fashionable specialty shops (i.e., 'boutiquing') along with the residualisation of economically less powerful, long-established businesses (ZUKIN, S. *et al.* 2009). It is quite common that businesses characterised by higher knowledge intensity perform better (e.g., in terms of revenues), while traditional small businesses that mainly serve the daily needs of local residents face much worse prospects. In most cases, the ethno-businesses present in the case study areas also belong to the less successful segment of local businesses. It follows that, with market competition intensifying and the retail landscape changing, older long-term residents are faced with the decision between shopping at small traditional shops and switching to impersonal supermarkets. It is also the case that some old stores are unable to pay rising rents and, thus, 'disappear' when their lease ends.

These large shopping malls and chain stores can do what I am not allowed to: they can sell flowers and food, too. And they can buy flowers much cheaper than me. That's a horrible thing! For instance, let's just take Lidl stores. They buy flowers from the Netherlands directly from wholesalers, while my flowers go through a chain of dealers. (Female, 63 years old, owner of a flower shop, ethnic Hungarian, Budapest.)

It appears that the current diversity of local populations and businesses is likely to be temporary, with gentrification further trans-

forming the landscape of services, resulting in greater homogeneity, and, in particular, a trend toward upscale homogeneity.

### *Representations*

According to VERTOVEC, S. (2009), diversity has both demotic and dominant representations. While the former reflects society's everyday ideas about diversity, the latter mirrors the views of political interest groups and policymakers. In this study, interviewees confirmed that their neighbourhoods have a negative but steadily improving external image, which is also indicated by increasing property prices and the influx of skilled and better-off residents (CZIRFUSZ, M. *et al.* 2015; VERGA, P.L. and VITRANO, C. 2016; SMITH, M.K. *et al.* 2018; SKOVGAARD NIELSEN, R. and HADEGAARD WINTHER, A. 2019).

What is happening at the moment is that it's really difficult to find a home out here. What I see at the estate agent's is that prices are incredibly high. This way, eventually it'll only be high-income people who can afford to live here, and I think that would be such a shame. (Female, 38 years old, higher-level education, ethnic Danish, lives in an owner-occupied terraced house with husband and children, Copenhagen.)

According to opinions expressed by residents, the wide range of locally accessible services and amenities is one of the greatest assets of the case study areas. There is a plethora of various shops, providing many kinds of goods and services for a very diverse consumer base. Furthermore, diversity contributes to a vibrant urban milieu, making the case study areas livelier and more liveable within the wider context of the cities that they belong to.

Most of the interviewed residents and entrepreneurs have a positive attitude towards neighbourhood diversity. However, some negative opinions are also voiced. For instance, in Copenhagen, certain customer groups are reluctant to visit particular areas of the city because of neighbourhood diver-

sity. Similarly, in Budapest and Milan, some entrepreneurs with unsuccessful businesses see diversity as a problem, and they attribute their lack of success to ethnic diversity in their neighbourhood (in particular, the presence of specific minority entrepreneur groups, e.g. those who run 'cheap Chinese shops'). This is especially the case in market niches where competition is fierce, and it is also common during periods of economic recession (e.g., the 2008 crisis). However, a number of entrepreneurs, in fact, directly benefit from the diverse image of the case study areas. For example, in Copenhagen, interviewees confirmed that diversity attracts customers to the neighbourhood in search of certain products; while in Budapest and Milan, diversity is a pull factor for social enterprises targeting specific disadvantaged groups, and it also serves as a source of inspiration for creative businesses and for the tourism industry.

The idea arose while I was having breakfast close to a Chinese restaurant. Via Padova is so promising, and very, very unusual. (...) It is a source of inspiration for me. Even prosaic things can be inspiring, like seeing an Indian guy in his colourful clothes. (...) So this is just the perfect area! (Male, 40 years old, ethnic Italian background, running an Art Gallery, Milan.)

Regarding dominant representations in the three cities, the analysis of local governmental policies showed that (1) diversity is generally seen as a positive phenomenon, but its negative aspects (e.g., deprivation, poverty) are also widely acknowledged in policy discourses; (2) at the metropolitan level, diversity is handled in a more tolerant and pragmatic way than at the national level (RACO, M. 2018). Local policies are, indeed, relevant in dealing with diversity in all three case study areas, but they mostly influence planning and regulation issues. However, in terms of advancing broader socio-economic goals, policies at the metropolitan level and the national level are of more significance.

Out of the three cities, only Copenhagen has an explicit diversity policy, while in Budapest and Milan, diversity-related pol-

icy goals are less frequently formulated. Copenhagen has, in fact, declared diversity as a goal, thus, its local policies aim to support diverse types of needs and lifestyles in the city. Diversity is celebrated, and, as a diverse city, Copenhagen is regarded as a socially rewarding and dynamic place to live. In the Municipality of Copenhagen, “*A diverse city life is an important part of a socially sustainable city*” (Municipality of Copenhagen 2009). In addition, the fostering of diversity serves specific policy goals, namely, economic competitiveness and social cohesion. In order to increase economic competitiveness, policies aim to attract skilled labour, investors, and tourists, thereby facilitating opportunities for diverse encounters in consumption. Social cohesion, on the other hand, is expected to be strengthened by promoting intercultural dialogue, providing access to public services, and preventing segregation. However, it is also the case that deprivation and other negative aspects of diversity are often downplayed in favour of positive ones. In sum, the social democratic welfare system in Denmark, which is rooted in a universalistic perspective, traditionally supports collective consumption, for example, in education and health care. In this context, policy interventions related to diversity can lead to increased diversification both in terms of consumption practices and encounters amongst various social groups (SKOVGAARD NIELSEN, R. et al. 2015).

In contrast to Copenhagen, in Budapest, and especially in Milan, political attitude towards diversity is selective and shows two main characteristics. On the one hand, both in Budapest and Milan, explicit and systematic engagements with diversity are quite rare at the metropolitan level, while conceptualisations of diversity are primarily shaped by neoliberal urban policies, which focus on cultural consumption and the attraction of economically ‘desirable’ social groups (e.g., creative classes of people, tourists). On the other hand, diversity is mainly considered a challenge or problem rather than an asset or resource, especially within the context

of dealing with immigration and ethnicity. Correspondingly, the focus is on the mitigation of the negative impacts of diversity as they affect social cohesion, and also on combating social inequalities in general. Consequently, the main policy priority is the redistribution of resources rather than the cultural recognition of minorities and the fostering of interactions (BARBERIS, E. et al. 2017).

To sum up, diversity policies in the three cities show utilitarian traits, with the advantages of diversity mostly being defined in terms of competitiveness and economic gains (e.g., with respect to attracting a creative labour force or tourists). However, the diversity of local businesses and the blurring of boundaries between entrepreneur types are rarely taken into account. All things considered, Copenhagen seems to be the most pro-diversity city. It is also important to note, however, that the effects of some policies – or the effects of the lack of policies – may be conflicting. For instance, neighbourhood regeneration leads to increasing diversity, but beyond a certain point, this process may result in the gentrification and homogenisation of the local population and businesses.

### *Encounters*

Neighbourhood businesses create spaces that facilitate interactions within and across groups of entrepreneurs and groups of consumers. To investigate interactions among entrepreneurs, the supplier connections of the business persons interviewed as part of the study were scrutinised during the interviews. The analysis shows that, in general, intra-neighbourhood supplier connections are rare in the three case study areas; which indicates that the relevance of other factors outweighs the role of neighbourhood connectedness in this respect. First, businesses seem to require a higher degree of physical proximity (for instance, a location in the same building or shared outdoor facilities) in order to form networks. Second, similarity regarding the fields of business activities

or the professional background of entrepreneurs appears to be a prerequisite to building comprehensive networks. For example, in Milan, ethnic caterers usually call attention to the fact that their suppliers and raw materials are Italian as a way of guaranteeing quality and to gain the trust of a diverse customer base.

I don't use Chinese stuff, just Italian ones. All our products are from a professional Italian brand. (Male, 46 years old, Egyptian background, Barber's, Milan.)

As demonstrated, professional networks may cut across boundaries between neighbourhoods as well as between ethnic and other social groups, resulting in intercultural encounters and also in improved social capital for entrepreneurs to utilise.

However, interethnic cooperation can be hindered by perceived cultural distance and stereotypes. Derogatory classifications and stereotypes are (re-)produced among migrant groups, too, and they can produce segmentation in terms of the geographies of collaboration. Cultural and social distance among migrants, which is quite visible in group-making at local level (PASTORE, F. and PONZO, I. 2016), can trickle down and take new shapes in the business collaboration-competition processes.

I don't like their manners so much. For example, Arabs are too unreserved, and they touch you with their hands. I don't like that. Also, they are easily offended, and they are aggressive. And the Chinese, well, they have a totally different mind-set. On the other hand, I have good relations with Indians. They supply me with spirits, and we also exchange favours. (Male, 23 years old, Ecuadorean, Latino restaurant, Milan.)

The above observations indicate that urban policies aiming to maximise benefits from diversity should promote cooperation between entrepreneurs from different backgrounds and also aim to create appropriate spaces for interaction between such business persons.

Interactions between entrepreneurs and customers depend on the activities and local embeddedness of the businesses. Large or

highly specialised companies rarely rely on a clientele from the local area. In fact, the location of such businesses is virtually irrelevant to some of them because they primarily trade on the internet, work in wholesale, or cater to larger companies or public institutions located across the country or abroad (which is especially true for businesses engaged, for example, in the field of construction, property development, and environmental services). As for mainstream businesses, they usually have a very diverse range of clients (and not necessarily just intra-neighbourhood clients). This is also the case for several ethnic shops.

I have a very mixed customer base, from Italians to South Americans, from Arabs to Syrians – I even have Filipino customers. I don't know of any ethnicity that's missing here, since I also get people from black Africa and – thanks to the Expo – also European groups, like Germans and Dutch people. (...) We are a multicultural business, we have different foods, and we are able to satisfy everyone's preferences. Romanians come because they always find something they like, and this is true for Africans and Italians, too, since we serve international cuisine. (Male, Italian, Egyptian origins, Kebab shop, Milan.)

In consumer–consumer interactions, it is important to note that locally-embedded businesses provide goods and services to a very diverse and mainly neighbourhood-based clientele, tailoring their supply to the lifestyles, tastes, and consumer power of their customers.

Well, the regulars often buy themselves a beer and then get the newspaper from over there, and then they come back here to read it and drink their beer. And they're definitely locals. (...) You know, many of the locals in this area live alone. They have very small flats, and the others here at the pub are their friends in a way. They basically come down here to chat with them. You know, just being with other people is something they can't do at home. (Owner of traditional Danish-style pub run by her family for 40 years, Copenhagen.)

It should be noted, however, that neighbourhood revitalisation and the concomitant restructuring of the local business landscape also shape interactions between residents (see also e.g., BOROS, L. *et al.* 2016). This process evokes ambivalent feelings: on the one hand, people are happy to get new products and

services; on the other hand, long-established residents are concerned about the disappearance of ‘traditional, good old places’. In this regard, narratives such as ‘there is too much diversity in the neighbourhood’ can be observed in the interviews, along with negative sentiments towards ‘new, other’ lifestyles.

I think too many foreign shops have opened, and the others seem to be disappearing. I feel that the area is becoming too dominated by these foreign shops. I think a mix would have been better than dominance. (Female, 64 years old, on early retirement, ethnic Danish background, social housing, Copenhagen.)

Clearly, neighbourhood transformation and diversification is a conflict-ridden process. Although commercial spaces, such as retail facilities, do create encounters between residents and also across some social groups, they often entail the exclusion of others. Moreover, some residents are, in fact, repelled by certain places, and they have a negative opinion of diversity. Correspondingly, otherness and ethnic boundaries are often reconfigured in conflicts over ‘out-of-place’ businesses, sometimes even leading to the political mobilisation of residents.

Well, small shops are closing down one after the other, and they are being replaced by these internet cafés. But one of those has already closed down, too, thanks God. It was here for quite a long time, actually, but in the end there was enough pressure from local residents to make it possible to shut down the place. (...) These internet cafés attract people who you don’t want to see (in your neighbourhood). (Female, 66 years old, old-age pensioner, ethnic Hungarian, Budapest.)

Despite negative sentiments, public spaces, bars and restaurants, general stores, and local markets bring together people with similar lifestyles and consumption habits in everyday situations, creating space for interactions across societal boundaries and contributing to a better understanding of ‘other’ people (CURLEY, A.M. 2010). This can influence the perception of diversity positively, and it can also reduce prejudices (BLOKLAND, T. and VAN EIJK, G. 2010; PETERS, K. and DE HAAN, H. 2011). Several interviewees said that their neighbourhoods are like small villages in the

texture of the city, where almost everybody knows everybody else. The daily activities of these people are partly framed by local shops and similar facilities, thus, such spaces can bolster community identity.

This neighbourhood is attractive for a special reason. The lifestyle of local families and residents is similar to that of people living in villages. Most of the people here are in daily contact with each other. We often meet at the market as well as local shops. The renovation of Teleki Square was completed a few months ago, and now we have several new community places where people can meet and get together in their free time. (Female, 63 years old, old-age pensioner, Hungarian, Budapest.)

Interactions between residents may even evolve into long-term relationships, thereby strengthening neighbourhood social capital.

I used to know a lot of people from the shop, and I would help everyone who asked me to. I helped with administration, legal things, and things like how to rent a place, or where to go to get things done. (...) There is this friend of mine from Egypt. He opened a restaurant. (...) The authorities wanted to fine him once. But I got him a lawyer, who helped. (Male, 65 years old, old-age pensioner, ethnic Hungarian, Budapest.)

In sum, the concept of hyper-diversity is applicable to interactions, too, as the interviews conducted demonstrate how seemingly homogeneous social groups show considerable inner heterogeneity with respect to lifestyles and consumption practices. In this context, meaningful interactions can contribute to eradicating certain stereotypes and prejudices, while also providing economic benefits by allowing entrepreneurs to cooperate with partners (e.g., suppliers) across ethnic and cultural boundaries. In addition, local businesses provide a framework for inter-group encounters in public spaces and spaces of consumption, thus, they have the potential to strengthen social cohesion.

## Discussion and conclusions

The principal aim of this study was to reveal the interconnectedness between neighbour-

hood diversity and local business structure. For this purpose, findings from qualitative research conducted among residents and local entrepreneurs in three European cities have been presented.

Reflecting on the first research question, which concerns the interrelationship between diversity and local business structures in urban neighbourhoods, first, it can be concluded that social and cultural diversity was not the primary pull factor for the interviewed entrepreneurs when it came to deciding where to open businesses. Instead, it was the diversity of local property markets and the availability of affordable business locations which played a crucial role in their decisions to start businesses in the neighbourhoods, while the diversity of consumers became an influential factor in their business activities only after they moved to the areas in question.

Second, due to neighbourhood regeneration and gentrification, upgrading in retail and services can be observed in the case study areas. However, this process has also had negative impacts on local businesses, with the residualisation or displacement of many old, traditional shops; which is a phenomenon similar to experiences in other cities (e.g., ZUKIN, S. *et al.* 2009). Additionally, the relevance of the hyper-diversity concept is noticeable in this context. On the one hand, the clientele of the interviewed entrepreneurs is very heterogeneous, which indicates the significance of adapting business practices to diverse lifestyles and consumption practices. On the other hand, ethnic market niches are less common in the case study areas, especially in Budapest, which is a post-socialist Eastern European city without a considerable recent history of immigration (in comparison to Copenhagen or Milan).

Third, local businesses also have considerable impacts on the representations of diversity and of various social groups in the case study areas. Regarding *demotic* representations of diversity (VERTOVEC, S. 2009), it was a common view among the interviewees that the diversity in retail and services was one of

the main advantages of the neighbourhoods in question. Furthermore, definitions of diversity developed by the interviewees often included elements such as the heterogeneity of local urban functions, services, and shops. Thus, our study corroborates previous findings about the significance of neighbourhood services in terms of shaping people's perceptions of an area and also with respect to their housing choices (ALLEN, N. 2015). As for *dominant* representations of diversity (VERTOVEC, S. 2009), in the three cities, such representations are mostly linked to competitiveness or social tensions. In economic development policy, these representations are aligned with internationally mainstream ideas about creative workforces and creative cities, in line with FLORIDA'S (2002) thesis. However, our interviews suggest that diversity should be viewed in a broader sense (an idea that will be discussed in more detail in answer to the third question below).

Regarding the *second research question*, which is related to the effects of neighbourhood diversity on consumer services available to residents, the interviews demonstrate that local services are crucial to residents' quality of life. With general neighbourhood upgrading in the case study areas, there is an ongoing diversification in the local business sector – a process which has positive as well as negative consequences for consumers. For example, diversification results in a greater retail supply but also residualisation as well as the displacement of traditional small shops. With regard to hyper-diversity, the relevance of lifestyle and consumer habits is indicated by the fact that growth in the number and quality of services is appreciated by both newcomers and long-established residents. Businesses also create new spaces for interactions. However, the effects of such spaces on local populations are debated in the international literature on the topic. Nonetheless, the importance of diversity and spaces for intercultural encounters is emphasised in planning studies (e.g., IVESON, K. 2000; FINCHER, R. 2003; FINCHER, R. *et al.* 2014), with some scholars paying special at-

tention to the significant role that business venues such as urban markets play in this respect (WOOD, P. *et al.* 2006). Other authors, however, are sceptical, especially with regard to planning for spaces for such encounters. AHMADI, D. (2018) argues that in a diverse social environment, informal interactions only occur when shared activities and experiences exist among inhabitants. HOEKSTRA, M.S. and DAHLVIK, J. (2018) point out that the success of such activities depends on several factors, such as the personal profiles of residents (e.g., educational level), local power relations, institutional configurations, and the infrastructure required to realise relevant initiatives. Based on our study, we can add that spaces of consumption have the potential to generate cross-cultural encounters, but lifestyles and consumption practices can be integrative and exclusive at the same time. Therefore, cooperation with local entrepreneurs in creating diverse spaces for encounters is vital in related planning activities.

In answer to the *third research question*, some policy recommendations are provided in this last section of the paper. First, urban policy makers should consider that locally-embedded small businesses, which are affordable to launch, play an important role in improving residents' quality of life and in fostering social cohesion. Therefore, attention should be paid to the protection and support of these relatively weak enterprises, which do not fit particularly well with the globalised economic mainstream, especially in neighbourhoods affected by gentrification. It is also important to note that there is considerable diversification among entrepreneurs in terms of age, lifestyle, or management strategy. Furthermore, categories of entrepreneurs are highly mixed nowadays. For instance, someone can simultaneously be an old-age pensioner and a part-time employee, or a single parent and a hobby or lifestyle entrepreneur – as our interviews have demonstrated. Such enterprises need differentiated and tailored policy solutions, which require new governance structures (SUTTON, S.A. 2010). For example, instead of

spontaneous, fully market-driven upgrading in gentrifying neighbourhoods, the solution may come in the form of 'socially sensible rehabilitation' (for instance, something similar to the Magdolna Quarter Programme in Józsefváros, Budapest – see HORVÁTH, D. and TELLER, N. 2008; TOSICS, I. 2014; CZIRFUSZ, M. *et al.* 2015), which can potentially be supplemented by sub-programmes focusing on small local enterprises.

Second, local economic development should be defined in multiple ways. Although, following FLORIDA, J. (2002), it is mostly creative and technology-intensive industries that tend to be pushed to the forefront in policy discourses of diversity, there are some critiques towards this approach. First, categories such as creative enterprises are not homogeneous, and these businesses should be differentiated in policy making (see e.g., HE, J. and HUANG, X. 2018). Second, there are also a number of new paradigms that have recently emerged in studies of urban economy. Consequently, concepts such as green and circular economy (SU, B. *et al.* 2013), sharing economy (DAVIDSON, N.M. and INFRANCA, J.J. 2015), or silver economy (KUBEJKO-POLAŃSKA, E. 2017) should be utilised by policy makers and other urban practitioners when formulating diversity-related initiatives for local economic development.

Third, in line with international literature (specifically, THOMAS, J.M. and DARNTON, J. 2006; CYSEK-PAWLAK, M.M. 2018) and based on our fieldwork, the term diversity should be defined in a broader way, instead of being limited to a few 'trendy' dimensions of social difference. In this respect, the concept of hyper-diversity (TASAN-KOK, T. *et al.* 2013) can serve as a conceptual framework, and it can also facilitate the development of analytical tools for urban policy and practice as regards lifestyles, consumption practices, and urban functions and services, among other things.

Finally, it is important to note that the interpretations of supposedly shared international concepts such as diversity are always context-dependent. According to our research findings, historical legacies in Budapest,

Copenhagen, and Milan are decisive in this respect. While both in the northern and the southern European city, migration, for example, attracts more policy interest at the urban scale, in Budapest (and across Hungary), migration issues are seen primarily as elements in the rhetoric of the national government, with other dimensions of diversity such as ethnicity (i.e., Roma or Hungarian) or socio-economic deprivation appearing to attract greater interest. Therefore, future research should pay attention to local understandings of diversity to assist local actors in creating their own narratives of living with diversity.

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