

City Growth Strategies



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City Growth Strategies

1 Introduction

The Government last year announced its intention to develop City Growth Strategies in some of our most economically distressed cities and large towns, as part of its drive to promote enterprise in disadvantaged communities. City Growth Strategies is intended to encourage towns and cities to develop and implement inner city strategies which put enterprise and business at the heart of regeneration, focusing on the competitive economic advantages of inner city areas rather than the social disadvantages. Many of our poorest communities face fundamental problems – such as high crime and a low skills base – that discourage business creation and private investment. But these communities have economic potential too, for business and job creation; and can offer opportunities to develop new markets. Arguably, strategic thinking at local and regional level in relation to enterprise and disadvantaged communities is not well developed. However, this approach can be used to promote fresh thinking and greater common understanding about effective approaches. This note sets out the basic features of City Growth Strategies.

2 Background

The Government wants to open up opportunities for enterprise to all, especially those in disadvantaged communities. Supporting the creation and growth of enterprise is a key component of the Government's approach to the regeneration of disadvantaged communities.

The Chancellor said in his Budget speech on 7 March 2001 that he sees our inner cities and old industrial communities not as no-go areas for new enterprise but as places of untapped potential. That is why he announced a package of new incentives to encourage business development in disadvantaged communities, including the proposal for a Community Investment Tax Credit.

Many of the ideas underpinning City Growth Strategies come from the US based Initiative for a Competitive Inner City (ICIC). ICIC was originally established as an independent but not for profit economic development organisation by Professor Michael Porter, of Harvard Business School, who believed that inner cities could be helped to regenerate if they focused on their competitive economic advantages rather than on their social disadvantages.

ICIC has developed a number of strands to its work. The most important is working with towns and cities to develop and implement appropriate enterprise focused development strategies. They have also pioneered the Inner City 100 – a list of the fastest growing inner city businesses – which they use as a tool to attract positive media coverage and demonstrate that businesses can prosper in inner city areas and in so doing create positive social outcomes for communities.

3 Towards a competitive inner city

The UK's inner city areas continue to present challenges – with few businesses and high unemployment, with high levels of crime and high levels of poverty, and with low levels of educational attainment. Much of the support provided to such areas in the past has primarily addressed social needs. Whilst these needs are important, the inner cities will only ever

prosper if they can develop a sustainable business population – creating wealth, employment and role models. Economic activity in the inner cities will only occur if businesses can identify and exploit competitive advantages. Work by Michael Porter¹ and ICIC's seven years of experience confirms that inner city areas typically have four such advantages.

Strategic location: proximity to high rent business or retail areas, combined with lower rents and good transport links, provide opportunities for back office, support and logistics functions.

Local market demand: in the US, and possibly in the UK, a feature of inner city areas is large under-served retail markets. Though disposable income per capita may not be high, density of disposable income per square mile can be. ICIC's research has estimated the inner-city retail market in the US at \$85 billion, 30 per cent of which is unmet locally. In many US cities including Atlanta, Boston and Chicago, retail spending per square mile is two to six times greater in the inner city than in more affluent suburban areas.

Clusters: inner city businesses can capitalise on the density of urban clusters close by becoming an important part of their supply chain.

Human resources: despite much prejudice about the populations of inner city areas, many residents are working and many more who are unemployed or underemployed want good job opportunities. Many, however, have to rely on public transport to move around. As the labour market continues to tighten in many parts of the country, businesses will find inner city residents a ready source of potential employees. Furthermore, many inner city residents already act in an entrepreneurial way, and can be supported in starting businesses.

It is not possible, of course, simply to ignore the disadvantages – and these will need to be addressed in any strategy focussing on business creation and growth. These include finding suitable premises, crime prevention, management and staff skills, access to capital and attitudes to business. But these can all be addressed. Indeed, many initiatives already address one or more of these issues – though not necessarily all and not necessarily across a wide area.

Porter argues that healthy economies in inner cities will depend on private, for-profit business development and investments based on genuine competitive advantage. A sustainable economic approach must focus on making inner cities competitive as business locations and on integrating these areas into the regional and national economy.

4 The UK IC100

Three years ago, in partnership with Inc Magazine, ICIC launched the Inner City 100 – to identify America's most promising inner city growth companies. This has been incredibly useful in a number of ways: (a) demonstrating that it is possible to start and grow successful businesses in the inner city and providing role models that change perceptions about distressed areas (b) providing a research base to identify business growth opportunities and some of the specific barriers faced by businesses in the inner city, and (c) developing a network of entrepreneurs who benefit from meeting each other and getting national exposure that often can lead to concrete business

¹ Prof Michael Porter, 'The competitive advantage of the Inner City', Harvard Business Review, May-June, 1995

opportunities. A similar scheme has now been launched in the UK and will publish its first index in October.

5 The City Growth Strategies proposal

It is now proposed, initially on a pilot basis, to work with a small number of towns and cities that would like to adopt an holistic approach, with economic development at its core.

5.1 Aims and objectives

City Growth Strategies have a number of key aims. They will:

forge links on the ground between economic development and regeneration, putting enterprise and business at the core of strategy;

link inner-city and regional economic development strategies;

bring together all the key players engaged in encouraging enterprise in each area, including business, government and community players;

build a fact base of the competitive advantages and disadvantages in each city or large town; and

develop locally-driven action plans for business development and growth.

5.2 Key elements

City Growth Strategies will comprise three key elements:

a review of current and past efforts and initiatives that are directed toward disadvantaged communities and an understanding of how City Growth Strategies can complement and enhance those efforts;

a rigorous examination of the inner-city business base, including local competitive advantages and disadvantages, through both existing and new research (for example, business interviews); and, based on that research

the development of effective action plans for inner-city business development and growth.

5.3 Key players

There are potentially a number of key players in each city whose support, enthusiasm and active participation are crucial if the initiative is to have any chance of success. These include the RDA; the local authority; businesses; the Business Link partnership; GO; LSC; local university; consultants; community organisations and potentially others such as Police and Health Authorities. A number of Central Government Departments also have an interest: DTI; DfES; DTLR; HO; HMT. The new Local Strategic Partnerships (LSPs) also have an important role to play. Business, in particular, has for many years been exploring ways in which they can support local communities, but often do so in isolation. An initiative such as this will provide a strategic framework for their involvement as well as, potentially, encouraging many more businesses to become involved. The Strategy Teams will comprise representatives from all these stakeholders.

In ICIC's experience, there is a need for a strong project manager who, whilst working to an agenda set by their group, can make things happen on the ground. The project manager needs to be a champion for the initiative as well as being able to build coalitions and consensus.

5.4 Ideal participants

We do not have a view on the ideal size of town or city, but there needs to be sufficient scale. In the US, participating cities typically had an average population of approximately 200,000.

Ideally, participating cities will already recognise that there is a need and be ready to act and deliver. There may be a number of activities already underway whose impact could be enhanced by this initiative. But some maturity in partner relationships will also be necessary.

It is likely that the most appropriate locations, at least to start the process, will be the inner areas around the fringes of town and city centres. Business culture influences the rate of start-ups at least as much as business opportunities², so there may be merit in picking areas that already have a propensity to increase their business formation rate.

5.5 Outcomes

Outcomes for cities will be very dependent not only on how good the intelligence gathering process is, but also on the quality of the leadership and partnerships in the cities. However, outcomes could include:

a clearer, fact based, understanding of the economic strengths and how these might attract business; (these might, for example, be strategic transport links, a large pool of labour, untapped local markets);

an honest appraisal of weaknesses (high crime, lack of development land, high rates for example) and what might be done to address them;

identification and analysis of business clusters, including an understanding of the linkages between cluster companies, their role within the region and, potentially, stronger links between city and regional economies;

a unified strategy based on a common set of objectives, bringing key players together.

These in turn might lead, for example, to:

changed perceptions about cities, or parts of towns and cities, for potential investors and residents (for example, a more attractive place in which to live and work and invest);

streamlined information and administration for funding streams;

more entrepreneurs taking advantage of new market opportunities;

more coherence between skills training and business HR needs;

accelerated growth of existing businesses;

a sense of common purpose amongst businesses, community organisations, academics and local authorities;

more civic self-esteem and self-confidence.

City Growth Strategies are intended to deliver more than local initiative could achieve on its own – including a desire to bring in fresh thinking about economic regeneration, strengthen the partnership working of organisations focusing on economic development and, particularly, positioning towns for attracting future public sector resources.

² See, for example, the Global Entrepreneurship Monitor

5.6 Stages

City Growth Strategies will each involve three main stages:

i. Stage 1 – Preliminary organisation

Once a town or city has decided to proceed, intensive preparation will be needed to bring together strategy teams comprising the key players. Ideally, a project manager will be appointed at an early stage.

It may be helpful for the team to spend some time learning from best practice elsewhere. ICIC have offered to act as strategic adviser to the Strategy Teams, but there may also be merit in building a learning community of towns and cities and promoting multi-lateral communications amongst all participating towns and cities on both sides of the Atlantic and, perhaps, elsewhere.

It might be appropriate to hold a one to two day workshop for all members of all the Strategy Teams, to include advice from ICIC on how best to carry out the project. Such a workshop might include:

sharing experience of similar projects in the US, including case studies of effective strategies that are now being put in practice;

how to identify competitive advantages and disadvantages, the potential role of business clusters in inner-city economies, and developing a timeline and workplan for the Strategies;

the provision of detailed training manuals.

ii. Stage 2 – Research and Strategy Development:

The bulk of the work can then begin. For example:

Background research - Teams will first define the spatial focus of the project in each city and then carry out rigorous analysis of current and previous economic development efforts.

Business cluster analysis –Teams will analyse their inner city and regional business bases, to identify business clusters with growth potential.

Business cluster and environment assessment – Through research and interviews with companies in or near inner cities, teams will identify the competitive advantages and disadvantages of the clusters and companies, as well as their inner-city location. This analysis will be the basis of the strategy formulation for cluster growth and business environment improvements.

Strategy Teams will meet regularly to review research findings and develop strategies and sustainable action plans for business development and growth.

Development of action plans, including identification of individuals and organisations to act on recommendations; potential sources of funding; and timelines and workplans.

Development and publication of final reports, which will include the research, strategy and implementation plans.

iii. Stage 3 – Communication and Implementation

Once a strategy has been agreed, it will be up to the key players, and the project manager, to ensure effective communication and implementation of the strategy. Communication of the strategy to the wider community will be

critical for gaining support throughout the community and outlining why this initiative is different from previous efforts.

It is recognised that towns and cities will be keen to start implementation as soon as possible but, at least at present, there is no extra funding available for this stage. It is anticipated, however, that a clearly defined strategy will make it easier to attract funds, inter alia, from SRB, EU structural funds, New Deal for Communities and the Phoenix Fund.

5.7 Funding

The Government has earmarked within the Small Business Service's resources around £1.5 million core funding for this project over 2001-04. The SBS will channel this funding via relevant RDAs – both the SBS and the relevant RDAs will play a key role in delivering the project. The funding will in the main be for the action-research capacity required in each city – which might, for example, be carried out by a university partner, consultancy or other research organisation. City Growth Strategies is intended to be a tool for change, and will not simply commission research for the sake of it. It is envisaged that the involvement of other key partners will bring in other funding, either in cash or in kind.

6 The Way Forward

We are inviting expressions of interest from RDAs on behalf of up to 20 English cities or large towns. A small team of representatives from each of these will be invited to a workshop to explore ideas for practical implementation with ICIC.

Those cities/towns that wish to be considered as pilots will be invited to submit a brief summary of their reasons for wishing to be involved and why they believe that they are well placed to move forward quickly.

A final decision on the number and location of the pilots will be taken jointly by SBS and Treasury by end August.

Appendix 1: ICIC Strategies for Success

ICIC works with leaders from local business, government, and non profit organizations to put in place economic regeneration strategies focused on the needs of business and to establish market-based solutions with clearly defined objectives and desired outcomes, propelled by business-sponsored implementation teams.

The following case studies provide examples of successful efforts that have emerged from ICIC projects similar to the proposed City Growth Strategies. Each of them stands alone as evidence of impact. However, it is important to see all of these activities – boosting cluster competitiveness, building coalitions, promoting business-led workforce development, and identifying untapped business opportunities – as part of a comprehensive strategy. Cities that take on ICIC projects like City Growth Strategies prioritise and draw on all of these tactics, differentiating City Growth Strategies from individual efforts.

In ICIC's experience, this holistic approach multiplies the potential for impact for a number of reasons:

corporate leaders and government officials are more likely to stand behind a multifaceted effort than a small-scale programme;

there are more opportunities to show progress, which is critical for building momentum;

City Growth Strategies can incorporate and enhance existing activities.



A1.1 Boosting Cluster Competitiveness

ICIC helps local leaders understand which urban clusters have a high potential to promote inner-city business growth, entrepreneurship, and workforce development. The strategies that emerge often focus on improving the competitiveness of an entire cluster as opposed to individual businesses. Working together in cluster-based strategies, companies are often able to accomplish far more than they can on their own.

Bridgeport Metal Manufacturing Cluster

The metal manufacturing cluster is the second largest Bridgeport, CT, employer. Yet, despite its considerable size and concentration, the cluster has not enjoyed the growth experienced by metal manufacturing companies in other parts of the country. ICIC helped local leaders understand the important role metal manufacturing had to play in their economy and the opportunities it presented for business and job growth.

Through interview findings and industry analysis, ICIC demonstrated that by upgrading technology and skills, introducing lean manufacturing, and ramping up marketing, Bridgeport's metal manufacturers could regain competitiveness together and win back their once-enviable market position.

In response, 11 metal manufacturing CEOs and the Bridgeport Economic Resource Center worked in coordination with ICIC to form the Metal Manufacturer's Education and Training Alliance (META) – a cluster network designed to improve competitiveness and build new business for inner-city Bridgeport through inter-company cooperation. Working together, META companies have:

launched a \$1.7 million training programme for 1500 workers with money raised from the US Department of Labor;

hired a consultant to help companies implement cutting-edge lean manufacturing techniques that are critical to winning large supplier contracts;

initiated an effort to cut costs through joint purchasing of health insurance, supplies, transportation, and waste removal services;

engaged ICIC to help them recruit other companies, identify additional opportunities and ensure the sustainability of their new business model

A1.2 Building Coalitions

A critical part of success in ICIC engagements is the building of strong coalitions with a common vision of the potential of distressed communities. The leadership team created in a city is not only responsible for spearheading the research, strategy and implementation, but for helping change perceptions and thinking about inner cities.

The Inner City Competitive Alliance

In 1999–2000, ICIC worked with the Strategy Team in St. Louis, MO, to identify opportunities for inner-city business growth. To plan and implement programmes, local leaders created the Inner City Competitive Alliance (ICCA), with financial support from major area corporations and foundations.

The ICCA hired a Chief Operating Officer to oversee implementation. Under his leadership, corporate champions are now launching initiatives in five inner-city business clusters and two cross-cutting business environment issues:

Transport & logistics

Call centres

Construction

Automotive supplier development

Commercial services

Workforce development

City business outreach capacity

Results to date include:

The Call Centre working group received funding from a national foundation to launch a pilot Customer Service Academy, to train inner-city residents in call centre/customer service skills. All of the 50 graduates to date have been offered jobs with at least one of the programme's partner corporations.

The Construction working group is working to attract more people to the trades, particularly minority workers. To date the working group has launched an effort to market construction trade opportunities to city residents, particularly youths. It has also received a \$10,000 grant to conduct focus groups with minority workers in and outside the trades to understand the barriers to entry for these workers.

Land assembly is one of the most pressing competitive disadvantages in inner-city St. Louis and the lack of available land for development has hindered investment in these areas. Working with their local state

“Having operated businesses in the inner city, I understand the opportunities and challenges that exist in revitalizing these areas. ICIC helped us create a road map with concrete action steps that will deliver results for the inner city and its residents.”

*Craig Schnuck, CEO
Schnuck Markets*

Co-Chair, St. Louis Inner
City Competitive Alliance

representatives, ICCA helped craft state legislation to create a Contiguous Land Development Fund that will assist cities in their efforts to remediate and assemble land. An initial \$1million has been earmarked for the Fund.

Edward Jones, a Fortune-500 financial services company and a lead sponsor of the ICIC initiative, has committed to establishing a minority business incubator in the inner city.

A1.3 Promoting Business-Led Training Programmes

Companies everywhere are struggling to meet their labour needs. A retiring workforce and quickly changing technologies create a strong demand for training programmes to enhance the skills of current and potential workers.

Cluster-based training provides entry-level workers with valuable links to higher-skill jobs, increased income, and an improved standard of living. These programmes play a pivotal role in building regional commerce, personal income, as well as hope for the future in the inner city.

Chicago Railroads Workforce Development

Historically a railroad hub, Chicago has seen increased traffic in recent years due to a booming economy and NAFTA deregulation. However, railroad industry growth has been hampered by labour shortages due to an aging workforce and a lack of skilled labour.

ICIC recognised that railroad companies could address their workforce issues by linking job openings to inner-city residents who currently lack access to railroad jobs. ICIC was the catalyst in forming a public-private partnership involving the railroad companies, the City of Chicago, and a community college. This partnership resulted in a demand-driven training strategy to prepare entry-level workers for career-path jobs with the railroads.

To date, over 90 per cent of the graduates of the course have been placed in such railroad jobs, which are typically characterized by high wages and opportunities for advancement.

Kansas City Sprint Call Centre

The Sprint Inner-City Call Centre in Kansas City provides a valuable model of a public-private partnership to develop a call centre by providing employee recruitment and retention services.

Because of its location at the centre of the country, Kansas City has become home to a call centre cluster with companies such as Sprint and Gateway 2000 headquartered there. Due to the tight labour market, Sprint had been experiencing high turnover in its suburban location. IN 1997 after working extensively with the local non-profit community including ICIC- Kansas City, Sprint located a call centre at 18th & Vine in the heart of the city's urban core in order to access the large pool of inner-city job candidates. After initially attracting 700 applicants for 40 positions, the inner-city call centre has continued to thrive, maintaining a 10 percent increase in employee retention relative to a nearby suburban centre. The majority of workers at the call centre walk to work, saving time and money in public transportation.

Sprint formed several partnerships to achieve this success. The Kansas City Area Development Council and the Full Employment Council oversaw employee recruiting and screening, the Black Economic Union played a role in real estate development, and the Business Technology Centre helped with training.

A1.4 Identifying Untapped Potential for Business Growth

In many inner-city areas, potential economic engines have been overlooked, from ports and industrial warehouses to parks and cultural attractions. With targeted public and private support, these community assets can become sources of new jobs, additional business opportunities, and renewed community pride.

Boston's Franklin Park Zoo

Despite a flourishing entertainment and tourism cluster in Boston, MA, the inner-city Franklin Park Zoo was experiencing lower attendance rates than comparable zoos nationwide. ICIC and corporate partner The Boston Consulting Group helped form an entertainment and tourism task force, which developed a business plan to transform the zoo into a major urban attraction.

Since this initiative, attendance has doubled and revenues have tripled at the Franklin Park Zoo. In response to this success, local organizations have formed the Green Triangle Coalition, which is working to improve transportation to the area and launch a joint marketing strategy to draw tourists and visitors to the zoo and other local assets. In addition, efforts are underway to help local entrepreneurs tap into retail opportunities associated with the increased traffic. The zoo now has multifaceted potential to be a catalyst for economic development and revitalization in the surrounding inner-city neighborhoods.