



CM International

**Innovation and Urban
Deprivation**

**Briefing Paper for the
Learning Network**

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1. Introduction

This briefing paper has been produced for the in preparation for the launch of the Enterprise in Deprived Urban Areas Learning Network (LNET). This Interreg project links London with Milan, Amsterdam, Hamburg and Prague in a examining various aspects of enterprise in deprived urban areas.

The focus of this paper is on the thematic issue of innovation in deprived urban areas. It sets out a framework for understanding this issue, including definitions of the key concepts, and suggests an approach to understanding innovation and urban deprivation. The paper concludes by considering opportunities to the use of innovation to address urban deprivation using a SWOT analysis framework that is based on a consideration of the barriers and challenges contained within urban areas.

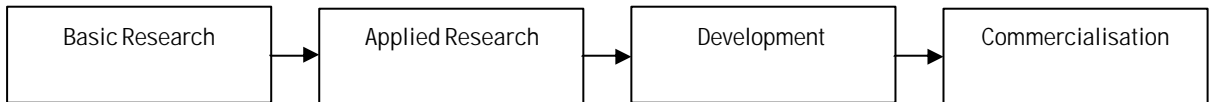
Due to time constraints, the paper focuses on identifying key issues for further discussion and development at a later date by Network partners.

2. Initial Concepts

Innovation

Innovation can be viewed from a number of different perspectives, ranging from innovation as a largely technological process through to innovation as a broad-based process concerning the *'successful exploitation of new ideas'*¹.

Innovation is typically viewed as a process that occurs within businesses. This perspective largely derives from the view that innovation is a linear process that begins in the laboratory and ends with the introduction of a new commercial product, services or process:



Other approaches, however, recognise that innovation can take place in both business and social contexts. The European Commission, for example defines innovation as:

*'The successful production, assimilation and exploitation of novelty in the economic and social spheres'*²

Social innovation, in this context, can refer to innovations taking place within non-business organisations. It could also be argued that innovation can take place at the level of the individual.

The European Commission's definition highlights a further important aspect of innovation – the distinction between creation of a novel idea, and acting on that new idea. In this sense ideas can only be classed as an innovation when they are successfully exploited and/or implemented.

¹ See definitions contained in DTI (2003) 'Innovation Report'.

² European Commission (2003) 'Innovation Communication 2003', COM, 112.

A further dimension to the concept of innovation concerns whether an idea is novel, or simply new to the individual/organisation. From a 'purist' perspective novelty is the key feature. Others, however, recognise that innovations that are new to an organisation are equally relevant. For example, the introduction of a PC into an SME for the first time while not novel, can be viewed as an important form of innovation for that company. Indeed it is clear that for most circumstances such forms of innovation are likely to be the most commonly observed.

Urban deprivation

In broad terms urban areas are characterised by the following factors³:

Economic Activity	Location of concentrated economic activity, mainly based on manufacturing, trade and services
Physical Access	Locus of transportation infra-structure but quality of service variable, e.g. due to congestion
Demographics	Population concentrated and diverse

Recent studies in the UK suggest that urban areas top the league tables on most measures of deprivation. Such studies typically consider deprivation from a number of perspectives:

- Income deprivation
- Employment deprivation
- Health deprivation and disability
- Education, training and skills deprivation
- Housing and services deprivation
- Living environment deprivation
- Crime

The one typical area of deprivation where urban areas do not top the league tables is access to services. Here, urban areas, unlike their rural counterparts, tend to have reasonably good access to services such as transport, business services, childcare, post offices, shops and so on.

Approaches to urban deprivation do not explicitly consider innovation capacity as a component of such deprivation⁴. It is clear from the list above, however, that such factors have the potential to impact on the ability of companies and organisations to compete successfully. Indeed, from an innovation perspective the presence of deprivation in urban areas could impact on their ability to innovate. The lack of skilled employees in an area of urban deprivation, for example, could impact negatively on a business's ability to develop and exploit new ideas. Such connections between innovation and urban deprivation are explored in more detail in the following section.

3. Innovation and Urban Economic Development

³ Derived from www.worldbank.org - note these are generalised features, and not directly related to the project partners.

⁴ Likewise, approaches to innovation while increasingly considering the spatial aspects of innovation, tend to primarily focus on city/regional/national 'success stories'.

It is increasingly argued that innovation is primarily an urban phenomenon⁵. This assertion is supported by European studies of (technological) innovation that point towards 'islands of innovation' based around major cities.

A number of approaches have been developed to understand this phenomenon. One of the earliest discussions of the urban concentration of economic activity and innovation was developed by Alfred Marshall⁶. Writing in the late 19th century Marshall identified series of industrial districts in England. In these areas, Marshall pointed to the importance of so-called external economies that benefit from the co-location of companies in particular areas/industries, including local pools of expertise and know-how, land, capital, energy, transport.

In the 1980s, industrial district researchers drew on these insights in identifying a range of complex socio-cultural institutional factors such as trust and reciprocity which were found to underpin collective entrepreneurial and innovative activity. The idea that economic activity is embedded in and supported by particular institutional environments was particularly associated with work on the industrial districts in Italy⁷.

In recent years the role of innovation in urban and regional economic development studies has been addressed from a number of perspectives. One of the most prominent of such approaches is the innovation systems literature⁸. Put simply innovation systems approach argues that the most dynamic areas (nations, regions etc.) are characterised by dense networks of companies (underpinned by competitive and collaborative behaviour), and associated sources of knowledge such as a strong knowledge base and supportive business/innovation support structures⁹.

The innovation systems approach views innovation as a non-linear process. Innovation, it argues, rests not simply on discovery and invention, but on different forms of knowledge creation such as the adaptation and combination of existing forms of knowledge. Furthermore, companies acquire knowledge by reaching out into their external environment to a range of sources, including:

- Other companies, including suppliers and competitors
- Conferences and networking events
- Journals and trade magazines
- Universities and research institutes
- Development agencies
- Financial bodies, including accountants

This approach was initially developed to explain innovation success at a national level. It has, more recently, been applied to regions and city-regions. This body of work has been highly influential on policy makers and many regions and city-regions have developed regional innovation strategies with the support of the European Commission¹⁰.

⁵ Simmie, J. (2001) 'Innovative Cities', Spon Press.

⁶ Marshall, A. (1919) 'Industry and Trade', Macmillan.

⁷ For example, Piore, M. and Sabel, C. (1984) 'The Second Industrial Divide', Basic Books.

⁸ Braczyk, H-J. et al. (1998) 'Regional Innovation Systems', UCL Press.

⁹ Cooke, P. and Morgan, K. (1998) 'The Associational Economy: Firms, Regions and Innovation', Oxford University Press.

¹⁰ <http://www.innovating-regions.org/>

Other approaches to innovation and the urban environment have also been developed in recent years. Research by US academic Richard Florida, for example, has become highly influential¹¹ and to some extent moves away from an overly technological and business-oriented view of innovation and economic development. According to this perspective, the global economy is moving into a new economic age in which competitive advantage increasingly comes from the ability to innovate. Therefore, to promote innovation and entrepreneurial activity, Florida argues that urban areas must focus on making themselves attractive to creative people.

A key concept within Florida's work is the 'Creative Class'. This refers to 'a highly educated and well-paid segment of the workforce on whose efforts corporate profits and economic growth increasingly depend'¹². Members of the creative class are said to do a wide variety of work in a range of sectors - from technology to entertainment, journalism to finance, high-end manufacturing to the arts. They share, however, a common perspective that values creativity, individuality, difference, and merit.

Florida's work suggests that cities that attract creative talent are also those with greater diversity and higher levels of 'quality of place':

'Creative-minded people enjoy a mix of influences. They want to hear different kinds of music and try different kinds of food. They want to meet and socialize with people unlike themselves, trade views and spar over issues.'

Such individuals, it is argued, represent the driving force behind innovation, entrepreneurial activity and economic growth in cities. As a consequence the 'creative' cities that succeed in the future will be characterised a mix of high-tech industry, outdoor amenities, and attractive (older) urban architecture.

To support this approach Florida has developed a number of indices to measure the 'creativity' of cities. The so-called Creativity Index is a mix of four indices:

- Creative class share of the workforce
- High-tech industry – proportion of high tech industry
- Innovation - measured as patents per capita
- Diversity – to gauge an areas openness to different kinds of people and ideas

To summarise, the approaches to innovation in urban areas suggests that cities can provide important environments in which innovation can be nurtured. Cities can, in this respect, attract innovative individuals, support them in developing ideas, provide opportunities for collaboration, intensity of competition, and have educational infrastructure to provide educated workforce. Furthermore, the urban scale supports diversity – broadening local economic options.

However, as noted earlier the literature reviewed above is largely based on success stories. Deprived urban areas typically have fundamental problems that innovation alone cannot address. These problems are well documented and produce relatively weak opportunities and resources for economic activity, including innovation. Such urban areas will have often suffered a period of decline that has inhibited the development of an effective culture of innovation.

¹¹ www.creativeclass.org/

¹² Florida, R. (2004) 'The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life', Basic Books.

Key barriers related to the pre-conditions for innovative activity are likely to include the lack of:

- an innovation culture
- start-up companies
- innovator/entrepreneur role models
- critical mass of companies/sectoral activity
- knowledge resources and support organisations, incl. finance
- diversity of economic opportunities
- attractiveness of the urban environment

4. Opportunities for Innovation to Address Urban Deprivation

For urban areas suffering deprivation the opportunity to use innovation as a regeneration tool is an attractive, if under-developed, idea. The concepts discussed above do, however, suggest that there are challenges that exist. Indeed, a strategy for tackling urban deprivation based on innovation cannot exist without related strategic anti-poverty strategies¹³.

In order to further understand the barriers and challenges involved in dealing with innovation in the context of urban deprivation (and vice versa), it may be useful to use a **S.W.O.T.** (**S**trengths, **W**eaknesses, **O**pportunities and **T**hreats) approach.

¹³ Again, addressing areas identified in the conventional deprivation indices.

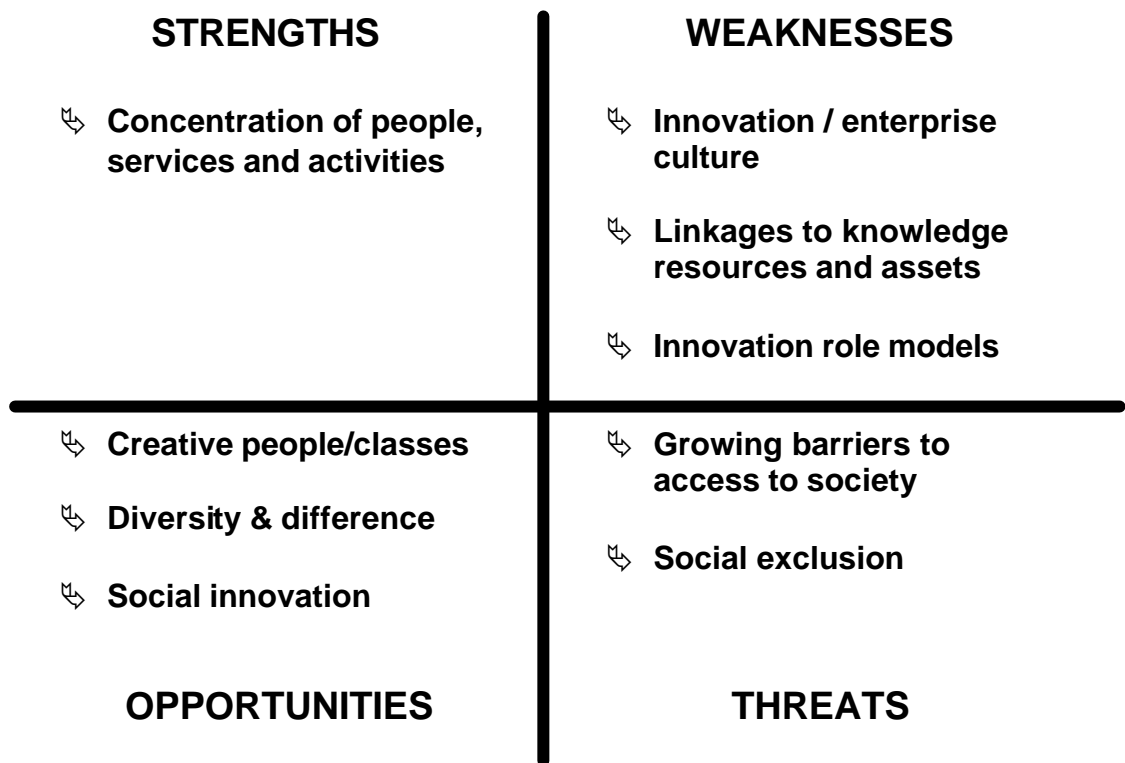


Figure 1: Potential SWOT of Deprived Urban Areas in the context of Innovation

The analysis framework suggested in Figure 1 above, implies that there are a number of approaches that may be taken with regard to urban deprivation and innovation.

These can be summarised as follows:

Strength - Concentration of people, services and activities

1. Urban areas (whether suffering deprivation or not) have one common and unique strength, that is, the concentration within a defined geographical area of people, firms, organisations and infrastructures. These features can provide a “critical mass” that is of significant benefit in the design and delivery of innovation supports. **The strength can be utilised by enhancing the positive features of concentration of economic and social activities.**

For example, an ‘industrial district’ strategy¹⁴ that builds on the concentrations of firms and populations of similar characteristics (sectors, trading relationships, service and skills needs etc) and provides services and supports that are closely aligned to the needs of the urban area.

Weakness - Innovation / enterprise culture and Innovation role models

¹⁴ Such as exhibited in Northern Italy for example. See Cooke, P. and Morgan, K. (1998) ‘The Associational Economy: Firms, Regions and Innovation’ and Scott, A.J. (1988) New industrial spaces: flexible production organization and regional development in North America and Western Europe.

2. As noted earlier, innovation is often viewed as an elitist concept¹⁵. Dealing with this weakness will mean **dealing with 'cultural' weaknesses exhibited in deprived urban areas regarding innovation by sensitive and appropriate use of language.**

Efforts can be made to 'ground' innovation as a term that comes to represent more appropriate concepts such as enterprise or creativity. Promoting a focus on innovation as something new to the company, organisation or individual may also be effective. At the same time, identifying, developing and promoting role models from within the urban area and community can promote the opportunities of innovation in an effective manner..

Weakness - Linkages to innovation resources and assets

3. A common weakness of deprived urban areas may be a lack of contact and interchange between firms and organisations within the deprived urban area (as well as lack of contact externally) is a common feature of deprived urban areas where social and economic structures and frameworks may have fallen into misuse. Therefore, **developing collaborative mechanisms as the basis for culture change and improved linkages between firms, organisations and resources in an urban area should be of benefit.**

An approach, here, could be the use of innovation networks focused on connecting economic actors in the deprived urban area to the wider "innovation system" providing a mechanisms where firms and organisations support each other in their dealings with the innovation system.

In some cases there may be the need for such networks to simply focus on supporting groups that are commonly held to be characteristic of diversity¹⁶ in order to provide a supportive culture where innovation activities can be enhanced and promoted.

Threat - Growing barriers to access to society and social exclusion

4. One of the core aspects of deprivation is the social and economic exclusion that characterises deprived urban populations. In innovation terms a common feature of exclusion is exclusion from access to the assets of the urban areas that the population and firms in other urban areas take for granted. **Access to the concentration of knowledge assets in urban areas is typical of this type of exclusion.**

Urban areas are typically the location for university/further educational institutions and SMEs. While high technology based innovation may be ambitious as a strategy for deprived urban areas, opportunities exist to better connect SMEs to the knowledge base in such areas.

Opportunity - Creative people/classes and diversity & difference

5. Creative individuals and communities are held up as driving forces behind innovation, entrepreneurial activity and economic growth, particularly in urban areas. Florida emphasises the import role that diversity and difference play in the creative environment. Consequently it is arguable that **deprived urban areas, with diversity**

¹⁵ Particularly where the focus is on technology

¹⁶ BME groups, disability, life style or gender

of population and economic activity as common key features, represent a significant opportunity for the promotion and enhancement of creativity and innovative impulses.

Urban areas already have a number of elements associated with the creativity and creative classes argument. They are potentially centres for diversity and openness. This suggests potential to make the areas more attractive to the 'creative classes' through the physical process of "gentrification" but also more positively through creative networks and the celebration of diverse cultures and life style experiences in even the most deprived environments.

Opportunity - Social innovation

6. Innovation is not only an economic concept, innovation in social organisation and social enterprise can also be valid particularly in urban areas where traditional forms of social organisation or social economy may no longer function or be appropriate. Therefore, **in areas suffering from deprivation, social innovation may be a vital ingredient needed in order to begin to transform expectations and achievements.**

An approach, here, could be to target support for and the promotion of innovation through new forms of organisation and economic activity. For example through micro-credit schemes, credit unions as well as social enterprise owned and managed by voluntary groups and community enterprises. A particular opportunity exists to maximise the innovative use of ICTs through "e-community" activities¹⁷ that internally link and enable the community in the urban area as well as linking the community with similar communities in deprived areas in other urban areas.

¹⁷ See Wales "e-community" programme
http://www.wda.co.uk/index.cfm/technology_and_innovation/wales_information_society/wis_e_communities/en623

5. Issues for practice as a contribution to Enterprise in Deprived Urban Areas Learning Network (LNET).

1. Is there a consensus view regarding the definition and concepts of innovation that are being used?
2. How do the members of the LNET understand deprivation? What for the LNET group constitutes deprivation – economic, social and technological?
3. Does the notion of the urban area differ between countries participating in LNET? For example, political and geographic notions versus social and community notions.
4. For LNET participants, how far is the notion of a deprived urban area synonymous with and useful for an understanding of the role of diversity and creativity in innovation? Are they different concepts? Or can they act as useful foci for consideration?
5. Can the SWOT approach be extended to act as a simple analysis tool for each LNET member to consider the innovation and deprived urban area 'landscape' in their own contexts?
6. What additional opportunities and approaches may be available for the LNET members to address the issue of innovation and deprived urban areas? How can they be understood in respect of the relationship between innovation and deprived urban areas? How can their utility be assessed?

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Useful Links

www.creativeclass.org/

<http://www.innovating-regions.org/>

http://www.wda.co.uk/index.cfm/technology_and_innovation/wales_information_society/wis_e_communities/en623

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