

Let's Focus on the Strengths of the Inner City

by Andrew Brod

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For decades, the problems of America's beleaguered inner cities have vexed policy makers. As suburban peripheries have developed and thrived, urban cores have been plagued by poverty, crime, drug abuse, and sundry other social ills.

Various models have been employed to tackle the problems of the inner city. One model sets up social programs such as income assistance, housing subsidies, and food stamps. Another approach revolves around business and workforce development. However, by emphasizing subsidies and set-asides, these approaches tend to focus on the deficiencies of urban communities instead of their strengths. Such programs will undoubtedly be part of the solution in the future, but they have clearly failed to deliver on their promises.

One of the most visible federal programs of the 1960s and 1970s actually destroyed many viable inner-city communities. The Urban Renewal program's well-intentioned goal was to clear out "blighted" areas, but its unintended effect was often to clear out the small-business infrastructure as well. After Urban Renewal, the landscape of much of urban America would never be the same, both physically and economically.

In Greensboro, Urban Renewal widened East Market Street from a two-lane road to a six-lane boulevard. Not only did this process uproot and undermine many small businesses, but it created a thoroughfare designed to move traffic along quickly where there was once a street conducive to stopping and shopping. Groups like the East Market Street Development Corporation are now trying to reverse the worst outcomes of Urban Renewal.

The failure of existing approaches has led to an emerging new orientation in the effort to revitalize our inner cities. Instead of concentrating on urban pathologies, why not focus on the strengths of the inner city? Instead of cataloging the reasons for urban economic failures, why not strive to discover and build on new market opportunities?

This is the thrust of a 1995 article in the *Harvard Business Review* entitled, "The Competitive Advantage of the Inner City." The author, Harvard business professor Michael Porter, argues that inner-city problems are as much economic as social, but that economic solutions must be based on sound market principles. Encouraging inner-city start-ups, whether through subsidies or business incubators, sounds good, but it is a recipe for failure if there is no clear competitive advantage in the inner city for those start-ups.

Fortunately, as Porter argues, there are competitive advantages, though they vary from city to city and industry to industry. The 1990s' instinct to put a high-tech firm on every street corner won't work everywhere. The potential competitive advantages Porter ascribes to inner cities include:

- **Strategic location:** The inner city is made up of those areas with relatively low incomes and relatively high unemployment, and therefore it is distinct from the central business district. But the inner city is usually near the central business district, and as such it can serve businesses that profit from proximity to downtown areas. Greensboro's inner-city districts are just to the south and east of its downtown, and as downtown Greensboro continues to evolve, proximity to downtown will grow in value.

But the strategic value of location goes beyond that and is related to linkages between industrial "clusters." Clusters are the predominant industry groups in a region, and economic development that meshes well with existing industrial clusters has the best chance of success. A cluster need not have a geographical component, but many clusters do, especially when logistics, transportation, and inventories are integral to operations.

- **Local market demand:** The converse of a cluster analysis is to identify underserved needs in an area. The Initiative for a Competitive Inner City (ICIC), a non-profit consulting agency founded by Porter, estimates that approximately 25% of inner-city retail demand is currently unmet by urban retailers. And inner-city consumers are often not well-served by retailers that gear their assortments to the tastes of suburban customers. Yet the inner-city market can deliver comparable yields per square mile to retailers due to higher population densities.

- **Human resources:** In spite of the general public's biases and fears about inner-city workforces, the reality is often quite different. In 1997, GTE Sprint chose inner-city Kansas City to be the site of a new call center, deciding against the suburbs where its own headquarters were located. Contrary to its worried expectations about the inner city and the people who live and work there, Sprint discovered a dedicated and talented work force. Performance goals in the city are being met more easily than at Sprint's suburban locations, and worker turnover is lower. And most of its inner-city workers can walk to work.

Porter acknowledges the disadvantages of inner cities, including higher costs of developing land and dealing with "brown fields" issues of past environment pollution, higher costs of security, the relative dearth of management talent, and so on. But Porter argues that these disadvantages can be overcome. And that they can be overcome profitably.

These issues should resonate for Greensboro. The McKinsey Report of November 2000, which spawned the economic-development programs of Action Greensboro, had some important things to say about Greensboro's inner city. One of its most quoted findings was the large gap in median household incomes between the richest and poorest ZIP codes in Greensboro.

The McKinsey consultants urged Greensboro to "foster improved race relations," which impinges directly on the inner city because of its ethnic make-up. They also urged a focus on entrepreneurialism, including minority-owned businesses. And they recommended that economic development be consistent with the city's existing industrial

clusters. Taken together, it is clear that the McKinsey consultants feared that unless attention is paid to the city's urban core, its goals for Greensboro might never be fully realized.

But there is good news along with the cautionary notes. If one reads between the lines of the McKinsey Report, the raw material may already be there in Greensboro's inner city. While there were large gaps between the poorest ZIP code and the Greensboro city average in median household income, home ownership rate, and unemployment rate, the level of educational attainment in the poorest ZIP code was not far below the city average.

Action Greensboro is stepping up to the plate to address the concerns outlined by the McKinsey Report. This week Action Greensboro, in conjunction with the Bryan School of Business and Economics at UNCG, the School of Business and Economics at A&T, and the East Market Street Development Corporation, is hosting a visit by consultants from the Initiative for a Competitive Inner City, the agency Porter founded to carry out his vision for inner-city revitalization. During its visit, ICIC will describe how it can help Greensboro chart out a path to assess and act upon the competitive advantages of its inner city, much as ICIC has done in other cities including Boston, Kansas City, and Oakland.

Inner-city business development is not a panacea, and we won't be able to suddenly abandon all other modes of urban policy. But the potential for Greensboro is significant and far reaching. Promoting inner-city development is good environmental policy because it counteracts the pull of suburban sprawl. It's good urban planning policy because it evens out the distribution of economic activity in the city and helps the city deliver its services more economically.

Working to improve the economy of Greensboro's inner city is the right thing to do. But it's more than that. It's sound policy and good business.

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