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City Growth Strategies



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Summary

City Growth Strategies (CGS) is a pilot programme, funded by the Small Business Service (Phoenix Development Fund). It promotes a market-led approach to turning round disadvantaged areas, concentrating on economic potential rather than social problems. Key features include: giving business a leading role in strategy development; ensuring a robust evidence base; and capitalising on business clusters to drive productivity improvements and local prosperity.

Treasury backing for CGS has been inspired by Michael Porter and Initiative for a Competitive Inner City in the USA. The programme provides lessons from the pilots and from the transatlantic transfer of ideas and experience.

Contents

Outline of the solution	3
What worked where and why?	4
What explains what works?	7
Checklist	9
Want to know more	11
Contacts.....	11
References	11
Further Reading.....	11

City Growth Strategies is a national pilot programme which promotes market-led, economic solutions to tackling the problems of disadvantaged areas.

Outline of the solution

City Growth Strategies is an economic, market-led approach to urban revitalisation in deprived areas that builds on competitive advantages and seeks to integrate these areas better with wider urban and regional economies.

The inspiration for the City Growth Strategies (CGS) comes from the ICIC (Initiative for a Competitive Inner City) programme, which was set up in the USA in 1994 by Prof. Michael Porter. This targeted inner city areas in the USA, including those of Boston, New York and St Louis. At the heart of the programme is the notion that renewal in many such areas is hampered by a traditional focus on problems, disadvantages and the need for welfare expenditure. Porter's thesis is that inner city areas have competitive *advantages* that are often overlooked, such as:

- strategic location, relative to markets, transport and communications infrastructure
- an available but underutilised workforce
- underserved local markets
- entrepreneurial potential
- firms and institutions that are part of 'clusters' of economic activity (concentrations of related and supporting industries which combine to form sources of innovation and productivity growth)

ICIC's experience prompted the Chancellor of the Exchequer to test the approach in Britain, matching as it does his philosophy of 'enterprise for all'. The DTI's Small Business Service was charged with the task of implementing the programme in England, with the support of ICIC. CGS sits alongside other government initiatives such as Enterprise Areas, the Phoenix Fund, New Entrepreneur Scholarships and the Inner City 100 (which was also originated by ICIC in the USA).

Seven pilot areas (Nottingham, Plymouth, St Helens, London City Fringe, London Haringey, London Heathrow City and London South Central) were selected in late 2001, with funding from April 2002. Partners in these areas were attracted by CGS for a number of reasons, including opportunities to gain resources and influence, network and learn from US experience - and ensure greater drive behind the economic agenda in area renewal. SBS has provided £1.3m for the programme through the Phoenix Development Fund, over half of which was committed by the pilots to in-depth research.

In each CGS area, the model involves a partnership-based Strategy

	<p>Team to provide direction and determine priorities (typically involving regeneration partnerships, the local authority, Business Link, Chamber of Commerce), a Research Team (to analyse the local and regional economy), and Business Champions to guide the project, recruit other private sector leaders, and provide a public face for the initiative. A Project Manager oversees the day-to-day work and plays a crucial role in building relationships and progressing actions.</p> <p>An important component of the implementation phase is the concept of Cluster Action Teams, formed to identify common issues for firms; identify, review and pursue opportunities to pool resources, develop joint facilities, and exploit market opportunities; and strengthen their influence, e.g., over local labour supply, education and training.</p> <p>ICIC have provided advice and support to pilots throughout the life of the CGS initiative, and organised a study visit to Boston in spring 2003. Twice yearly events have brought the pilots together to share experience, and there have been further networking events for project managers. Pilots have also been able to draw on a panel of UK specialists (CGS Resource Team).</p> <p>The flexible framework adopted by SBS and variations in local circumstances have resulted in a set of pilots which differ markedly in their geographical focus, partnership membership and structures, identity, issues and priorities.</p>
<p><i>Progress in developing robust strategies and partnerships with private sector leadership</i></p>	<p>What worked where and why?</p> <p>It is still early days for the City Growth Strategies pilot programme, with the local strategies launched formally in October 2003. The true test of the programme will come in the degrees of success which the local partnerships have in implementing these strategies. There are early signs that the pilots have attracted additional resources to enable this, e.g., from RDAs and EU programmes. All can point to significant progress, with the exception of Plymouth. There the strategy is still under development, having suffered project management difficulties, now resolved.</p> <p>There is a two-stage evaluation of the City Growth Strategy pilots by GHK Consulting. The first report (August 2003) concentrated on assessing the strengths and weaknesses of the CGS approach, its transferability to the UK context, and the support provided to the pilots by ICIC. The second stage (to report in April 2004) will focus more on the quality of the strategies and the added value that the CGS pilots are demonstrating. ICIC have also reported on progress (“City Growth Strategies: Priorities for Business-Led Urban Regeneration”) containing lessons and policy recommendations from the experience of the programme to date.</p>

Amongst other findings, the GHK and ICIC reports highlight:

- **Value of the investment in research**

One of the CGS principles is the need for a strong evidence base. Significant resources have been devoted by the pilots to analysing business needs, local economic trends and the composition of local business sectors and clusters. In general, while the research tended not to generate any startling findings, it did help to improve understanding of competitiveness issues, and, importantly, provide robust evidence with which to engage businesses and partner agencies in strategy development. Research also highlighted some under-recognised market opportunities, e.g., how firms in London South Central could make more of the corporate hospitality market in the City (where there are significant opportunities, e.g., for florists and specialist caterers). It also provided St Helens with their rationale for targeting distribution and logistics as a key sector for future development.

Research also brought home the significance of crime against business as a prime local concern: a topic often not addressed in previous local economic strategies, nor by local Community Safety Partnerships.

The stress on research and the evidence base has also highlighted serious inadequacies in the quality of, and access to, standard statistical sources and obstacles to the sharing of business data between local, regional and national organisations.

- **Concept of clusters**

The pilots have demonstrated the value of examining cluster dynamics, growth potential and interdependencies (including, importantly, those which lie beyond the immediate CGS area). For some of the partners involved in the pilots, the 'jury is out' on the relevance and value of clusters. They prefer to think in terms of local sectors, and fear that an over-emphasis on clusters can detract attention from other sources of business growth and barriers to local competitiveness issues (e.g., over the supply of land and of labour).

Cluster Action Teams are being introduced, e.g., in St Helens, City Fringe and Haringey. Across the pilots, the principal clusters identified for concerted follow-up are: Food and Hospitality; Construction and Building Materials; Fashion, Media and Creative; Distribution and Logistics; Health and Social Care; Information and Communications Technologies; and Printing and Publishing.

- **Partnership gains**

Much of the added value of the CGS pilots to date relates to the progress made in bringing partners together to work on a common

CGS agenda and generate commitment to the local strategy. GHK point to the extent to which pilots have:

- developed a shared vision
- ensured greater quality in, and credibility for, the Strategy
- used CGS as a spur to co-ordinate related initiatives
- changed partner perceptions of each other for the better
- brought about a more rounded and coherent approach across the services and strategies of the public agencies

Some barriers to more effective partnership persist, however, such as tensions, disagreements and differences in approach; 'initiative fatigue'; vested interests; and scepticism within the business community, reflecting previous experience or 'word on the street'. These obstacles are very common beyond CGS areas; what will be interesting is the extent to which the pilots overcome them in the medium term.

One issue that has continued to concern the pilots is the involvement of Regional Development Agencies. The four pilots in London have had additional resources deployed by London Development Agency during the research and development phase, but in other regions there have been tensions (e.g., over cluster priorities) and the RDAs have not engaged very actively or directly.

- **Private sector engagement**

While genuine progress has been made in engaging the private sector in developing the local strategies, the pilots have raised serious questions more widely about private sector involvement, not least in the ways and extent to which private sector partners have responsibility for decision-making. There are strong contrasts between the pilots, with St Helens very much a case where the public agencies have been willing to share leadership of the strategy and decision-making. The relationship there has experienced some tensions but is all the stronger for working these through. This contrasts, for example, with another pilot where there is significant private sector frustration over the authority they have in directing the pilot and in determining how resources are used.

The importance of strong private sector engagement comes home where there are significant strategic issues from a business perspective which need to be tackled if economic potential of disadvantaged urban areas is to be realised. The ICIC research has highlighted in particular the need for a more powerful voice for business in aligning skills training with cluster-based strategies, and in influencing land use strategies. The CGS research phase brought out the importance of understanding how changes in local property markets have impacts on business productivity and location decisions, and raised serious concerns about the availability of good

	sites and premises to accommodate business growth and relocation, notably because of higher land prices for housing development.
<p><i>Core principles: active engagement of the private sector; connecting leaders across sectors; uncovering market opportunities; strengthening existing programmes; and action-orientation</i></p>	<p>What explains what works?</p> <p>The first stage evaluation has found evidence to confirm the validity of the core 'driving principles' of City Growth Strategies:</p> <ul style="list-style-type: none"> <p>Engaging the Private Sector</p> <p>While the pilots have adopted different approaches to engaging business, all have accepted the importance of giving business a leading role in developing strategy and steering implementation. GHK found that business representatives have played a role in overseeing the research programme in most of the pilots, assessing research needs, agreeing briefs, commissioning research, reviewing progress and signing off completed projects. The pilot which has gone furthest in this direction is St Helens, with the result of very strong business commitment to, and ownership of, the strategy.</p> <p>In Nottingham and London South Central, there were valid concerns that it could be dangerous to try to involve many businesses too early in the process. Local partners felt that it would be better to hold off seeking very active engagement until the research phase was over and there was a more specific agenda with which to approach business - though using a small number of interested businesses as a sounding board for the strategy. The perceived risk was that business people would find progress too slow to their liking. Partners in these pilots feel that they had already developed the relationships so that businesses would readily respond to actions contained in the strategy.</p> <p>ICIC, however, provide a warning from their experience in the UK that <i>“too often, business pays a token role in local economic development decision-making. Partnerships need to be created in which private sector leaders drive the agenda from a business perspective, while the public sector supports the overall effort, provides research and management of the process and makes sure that community concerns are incorporated into the agenda.”</i> ICIC also recognise the need for 'education' of the business community, primarily through ensuring that there are effective and efficient local forums for developing and acting on a common business agenda in relation to area regeneration.</p> <p>Connecting Leaders Across Sectors</p> <p>The CGS pilots have all brought together leaders from across the public and private (and in some cases, third sectors), and invested time and effort in building partnerships. Nottingham have recognised the need for more work to underpin cross-sector partnership in the</p>

future, and have invested in the OnBoard Community Leadership Programme. This involves training and mentoring in all aspects of community leadership plus a matching service linking course participants to opportunities on boards and management committees of not-for-profit and public sector organisations.

- **Uncovering Market Opportunities**

Investment in good quality research can help draw out under-appreciated and under-realised market opportunities. For example, research for CGS in Heathrow City has stimulated concerted action to develop Gateway Asia project which involves the development of a Gateway Asia Hub and internet portal to facilitate and support business interchange between the UK and Asia. This will include incubation space for Asian businesses wishing to establish a presence in the UK.

- **Strengthening Existing Programmes**

The CGS model recognises that in any area, there are typically significant resources devoted to business support - but these are often not harnessed effectively. In Nottingham, partners have worked to align their activities and resources. The City Growth Strategy has been adopted as part of the City Council's Core Cities Prospectus, embedded in the plans of Greater Nottingham Partnership (through which RDA funding is channelled), Learning and Skills Council Nottinghamshire, Business Link Nottinghamshire and the Jobcentre Plus district office. Partners are working on joint initiatives which will improve the quality of support services to businesses in the CGS area and beyond. The Nottingham City Growth Strategy is also linked closely to the Business Broker project in the city - another government-backed pilot to ensure effective engagement of businesses in Local Strategic Partnerships and neighbourhood renewal.

More generally, the CGS process has encouraged partners to pay more attention to the needs of established businesses in CGS areas. Some firms have had close relationships with the support agencies (e.g., smaller growing companies with Business Link), but there has been little if any engagement with the wider business community to address their needs, as individual businesses or collectively. Hence, there has been growing interest in CGS areas about how to involve businesses more systematically and cost-effectively.

- **Catalysing Action that Produces Results**

CGS pilots show promise that the approach adopted will produce results that would or might not have been achieved otherwise. The potential clearly depends on a strong focus on businesses as the 'customers' of strategies and cluster action plans, and robust partnership practice - where there is a clear sense of added value;

	<p>partner commitment and mutual advantage, and the ability to make a persuasive case to attract resources to support implementation. Otherwise, an 'implementation gap' - raised as a risk by the GHK evaluation - will prove all too real.</p> <p>Relevance of US Experience</p> <p>The experience of City Growth Strategies has demonstrated the validity of the core principles of the US model, and the pilots have been able to generate extra interest in the initiative because of its cachet and evidence of 'what works'. Participants in the pilots have recognised some of the benefits in the CGS <i>process</i>, while tending to feel, however, that there is little in US economic development practice which is not now already part of practice in this country. This does not mean however, that US experience cannot or should not be a stimulus to improving the effectiveness of practice in England.</p> <p>CGS pilots and ICIC have noted significant differences in the US which affect the transfer of the ICIC model:</p> <ul style="list-style-type: none"> • the civic leadership of Mayors in the USA: Mayors can make things happen in a way that can take much longer in the UK; and • stronger local business organisations, and more of a tradition of business 'volunteering' • local tax incentives (which more closely equate business prosperity with community prosperity). <p>The introduction in England of Business Growth Incentives (where local authorities are able to retain additional business rate income) is an innovation which accords with US experience, and is expected to encourage more attention to area competitiveness and working with business to maximise local economic potential.</p>
	<p>Checklist</p> <ul style="list-style-type: none"> • Strategies for revitalising 'deprived areas' need to build on competitive advantages at local and regional level. Drill down to identify what these advantages really are. Listen to business, and challenge conventional assumptions about their needs and barriers competitiveness and investment. • It is crucial to bring partners along with you from the early stages of an initiative like CGS, where the bulk of funding is available for research and strategy development, rather than implementation. You need their commitment and resources for successful outcomes. • A strong evidence base and well-argued strategy will help win support and resources, and help make more of a difference. <p><i>"Good strategies must be based on solid research that is market-</i></p>

	<p><i>oriented and specific enough to influence investment decisions.”</i> (ICIC)</p> <ul style="list-style-type: none">• Find quick wins which will demonstrate a commitment to action and help convince businesses that the strategy is not yet another document for the shelf.• Beware, however, the ‘strategic drift’ that can come from too ready a pursuit of projects. While quick wins have their place, sound strategies will bring more sustainable outcomes.• Ensure clear links with regional and sub-regional strategies and initiatives. Encourage partners to explore win-win solutions rather than defending organisational turf. Seek to understand where each is coming from, and how partnerships and ‘cluster’ thinking can bring mutual benefit.• Bring key partner agencies on board at an early stage. CGS as highlighted the need for better co-ordination and integration of business support services through working to a common vision and agenda.• Provide vehicles for businesses to engage in local strategies and their implementation. Effective, well-run area-based forums can meet both the needs for businesses to network and learn from each other, <i>and</i> help the business community in disadvantaged areas articulate common needs and influence local priorities.• Support businesses in exploring in-depth how to strengthen local clusters. Create the right conditions for business people to network, identify opportunities and common needs - and, importantly build trust with one another, and with partner agencies.
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Want to know more

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Further Reading

www.sbs.gov.uk/citygrowth includes a wide range of materials relating to City Growth Strategies, including the individual area strategies, the GHK evaluation, and links to a wide range of related resources.