



METROPOLITAN BUSINESS PLANS

A NEW APPROACH TO ECONOMIC GROWTH



BROOKINGS

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In the aftermath of the Great Recession, America needs to move toward a more productive next economy that will be increasingly export-oriented, lower-carbon, and innovation-driven—as well as opportunity rich. At the same time, leading U.S. metropolitan areas—which drive the national economy—are mounting increasingly strategic, locally developed, and sophisticated initiatives to move in that direction themselves. And so the nation needs to take a new approach to economic development. Federal, state, and philanthropic actors all need to approach metros not as problems requiring programmatic handouts but as compelling investment opportunities for driving national prosperity. In keeping with that, the “metropolitan business planning” concept described in this brief proposes one approach for reorienting such interactions.

Metropolitan business planning adapts the discipline of private-sector business planning to the task of revitalizing regional development. Such planning provides a framework through which regional business, civic, and government leaders can rigorously analyze the market position of their region; identify strategies by which to capitalize on their unique assets; specify catalytic products, policies, and interventions; and establish detailed operational and financial plans. These plans can then, in turn, be used to restructure federal, state, and philanthropic engagement in ways that invert the current top-down, highly siloed, and often ineffective approach to cities and metropolitan areas while bringing new efficiency to development activity.

Along these lines, the brief introduces the concept of metropolitan business planning and describes how three very different regions—Northeast Ohio, Minneapolis-Saint Paul, and Puget Sound—are currently piloting the process and thereby providing a testbed for the re-orientation of federal-state-metro relationships. Ultimately the hope is that the new approach may help the nation complement macroeconomic policy with a new “metro-economic” one.



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I. INTRODUCTION

The need for economic renewal is urgent in the aftermath of the Great Recession. Going forward, America needs to build a more sustainable and productive next economy that will be more export oriented, lower carbon, and innovation driven—as well as more opportunity rich.¹

At the same time, leading U.S. metropolitan areas—which overwhelmingly concentrate the assets and dynamics that drive the national economy—are mounting increasingly strategic, locally developed, and sophisticated initiatives to transform themselves.

These metros are emulating such global city-regions as Turin, Barcelona, and Munich that have over decades designed and implemented—in partnership with their national and state governments—intentional and locally-specific campaigns to enhance or reposition drifting regional economies.

All of which suggests a compelling opportunity for federal, state, and local governments and other partners to aid and abet such “bottom-up” economic development by exploring a new sort of collaborative intergovernmental partnership to more effectively invest in regional economies to promote national prosperity.

Metropolitan business planning—a new concept in regional growth strategy being developed by the Metropolitan Policy Program at Brookings and RW Ventures—is one experiment at such design and exploration.

Aimed at reorienting typical economic development practices, metro business planning adopts many of the standard elements of private-sector business planning to boost regional, and thereby national, prosperity. In this fashion, it applies a disciplined analytic process to the development of place-specific economic strategies, proposing a new brand of “metro-economic” policy to complement national macroeconomic frameworks.

Metropolitan business planning recognizes the centrality of U.S. metropolitan areas to economic activity but also recognizes that regional economies are differentiated, meaning that one size does not fit all. At the same time, the new approach breaks with past development templates that have tended to view cities and metropolitan areas as collections of isolated problems in need of programmatic hand-outs. Instead it holds that metros are critical investment opportunities that can deliver prosperity given tailored



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investments shaped from the ground up by local actors with a sophisticated understanding of their assets, institutions, and market dynamics.

That is why metropolitan business planning calls for regions as well as governments and other potential “investors” to collaborate in new ways.

Regions, for their part, need to develop strategies targeted to their unique opportunities in order to offer a compelling investment.

Such work entails analysis of the marketplace, and then the fashioning of strategies, products, and services to grow the regional market and increase productivity and efficiency. It is precisely this sort of market-based enterprise that private-sector business planning does well. And so, as described here, metropolitan business plans:

- **Assess and situate the market position of the regional economy**
- **Detail linked strategies to improve its performance based on its particular market opportunities**
- **Specify operational and financial plans to deliver policies, products, and interventions to implement the strategies**

Yet that is only the region’s work. Once the region has completed this “bottom-up” exertion, the metropolitan business planning concept calls for governments and other investors—whether federal, state, local, or philanthropic—to respond in new ways. Most notably, the production of data-informed, market-oriented, and multi-disciplinary regional business plans proposing concrete, locally developed strategic investments challenges key stakeholders to respond and invest in ways that are similarly integrated and targeted.²

Metropolitan business planning thus stages an ambitious vision and set of goals. The new concept seeks to advance the state of regional development practice; demonstrate the sophistication of the best practice in regions; and generate highly specific

investment “prospectuses” that can drive a reorientation of federal-state-metro relations towards a more asset-based, business-like focus on regional and national economic prosperity.

To describe this vision and methodology the following pages introduce the concept of metropolitan business planning by first reviewing some foundational propositions about economies and development policy. Subsequently, two more sections describe the mechanics of the business planning idea as envisioned by Brookings and RW Ventures and describe three ongoing pilot experiments in metropolitan business planning sited in Northeast Ohio, Minneapolis-Saint Paul, and the Puget Sound region. A final section suggests some implications of metropolitan business planning for the emergence of a new, more catalytic economic federalism.

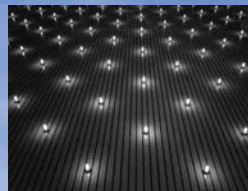
In this fashion, the following pages stage their own proposition: that metropolitan business plans and planning represent a useful new way to focus and structure a new bottom-up impulse in American economic affairs at a time of searching for new models. ■



II. BACKGROUND: THE LOGIC OF METROPOLITAN BUSINESS PLANNING

The concept of “metropolitan business planning” arises from a series of propositions about how today’s economy works and how its performance may be enhanced. This sequence of contentions asserts that:

- **Economic prosperity primarily flows from market activity.** Or, to put it another way, market interactions—enabled and shaped by government—generate the outputs that matter most: jobs, income, gross regional product, and wealth creation³
- **Major market systems are place-based and their main locus is metropolitan.** Metropolitan areas are where the nation’s assets agglomerate to disproportionately create economic value.⁴ Housing, labor, and many business markets and supply chains operate and interact in the unique context of specific regions, which combine the assets, spillovers, infrastructure, transaction costs, and other inputs and characteristics that determine market productivity
- **Regional economies are differentiated, complex, and dynamic; improving their performance entails customized and integrated strategies.** Regional systems continually interact with and influence each other in the context of locally specific characteristics and dynamics.⁵ Regions are therefore increasingly differentiated, which means that influencing outcomes requires increasingly differentiated interventions
- **Developing comprehensive strategies for regions lends itself to the discipline of business planning.** Analyzing markets, key assets, challenges and opportunities in order to develop specialized goals, strategies, products and implementation programs—whether for firms or regions—is exactly what the discipline of business planning does. The process can be helpful to collaboratives of local governments, regional development intermediaries, business groups, civic associations, and philanthropies that seek to engage in regional transformation
- **Regional business plans can enable a new economic federalism.** Tailored, place-based (bottom-up) economic policy is needed to complement macroeconomic (top-down) policy. Regionally developed business plans provide a guide and process for tailoring government investment in regional prosperity





The concept also follows from a widening dissatisfaction with many past and recent federal, state, and local development programs. In broad terms, many federal and state programs are felt to remain insensitive to the regional organization of the economy; insufficiently responsive to local variation (and so oriented to dispersed engagement rather than focus); overly oriented to alleviating regional deficiencies rather than building on regional strengths; narrowly defined and rigidly siloed, so that interacting components of the regional economy cannot be dealt with in concert; rule-driven, inflexible, and hard-to-use by increasingly entrepreneurial and business-like metropolitan actors; insufficiently oriented to the institutional and organizational context in which development occurs; and slow to embrace state-of-the-art analysis, accountability, and performance-management techniques.⁶

At the same time, local and regional economic development policy has for its part remained faddish; overly focused on firm-relocation strategies and “smokestack” or headquarters chasing; project- and infrastructure-oriented; and under-researched.⁷

In defense of the current array of legacy programs, it is hard to take any other approach in the absence of a more comprehensive alternative vision and approach, and that can only come from regions and regional actors themselves.

In any event, the facts are undeniable: More and more regional leaders are seeking a new approach to economic development—one that is much more bottom-up, flexible, entrepreneurial, and attuned to the locally varied, highly dynamic market conditions and specific needs and opportunities of individual metropolitan areas. ■

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III. METROPOLITAN BUSINESS PLANNING: WHAT IT IS, WHY IT CAN HELP

Against this background, the concept of private-sector business planning holds out a relevant model for the development of a new approach to regional development—one that proposes a new model for federal and state investment in regions, and so for intergovernmental relations in America's federalist system.

Business planning, after all, is an established process by which enterprises undertake strategic thinking about their position in the marketplace, their key assets and challenges, and the steps that are needed to improve performance.⁸ Increasingly, though, all kinds of organizations have adopted business planning processes to set strategy, shape operations, and discipline execution. Now it is proposed that regions adopt the practice as a way for consortiums of local governments, business and civic organizations, and the private and non-profit sectors to engage in coherent strategic action.

As it happens, the leading elements of business planning methodology translate surprisingly well to the context of regional economic planning.⁹ At least six discrete business planning steps can be usefully deployed in the regional context:

- Develop **vision and goals** for the region's economy
- Conduct a **market analysis** to assess the dynamics and performance of the local economy and identify the region's strengths, challenges, and opportunities in the context of global trends
- Specify the **strategies** to deploy in achieving those goals. As for a business of similar size and complexity, these have to be developed by area and tied together. Strategies may include things like specific cluster development tied to human capital development or transit-oriented development
- Create **products and services**—programs, policies, and other interventions—to implement each of the strategies. These might range from venture capital for firms in targeted clusters to land trusts to support affordable housing near transit
- Detail **operational implications** to deliver each of the products and services. What organizations and partners, leadership and staffing, programmatic development and delivery capacities and so forth are needed to implement the plan?
- Specify **financials**—not just the costs and sources of funds, but revenues and returns on investment, including in this context “returns” such as increased federal tax revenues or reduced welfare costs based on the job and firm creation goals.

THE LEADING ELEMENTS OF TRADITIONAL BUSINESS PLANNING METHODOLOGY TRANSLATE SURPRISINGLY WELL TO REGIONAL ECONOMIC PLANNING

TRADITIONAL BUSINESS PLANNING	ECONOMIC DEVELOPMENT PLANNING
Business mission and vision	Vision for the regional economy
Market analysis	Status of economy: assets, opportunities, challenges
Analysis of strategic alternatives and risks	Goal-setting and strategy identification
Development of products and services	Identification of policies, programs, products, and interventions
Operational and management planning	Operational planning for implementation
Forecasting and financial planning	Identification of financial needs, sources, and returns
Target setting and performance tracking	Definition of outcome measures and targets

Source: RW Ventures and Brookings Institution

In this sense, business planning represents more than a “buzz word” or suggestive analogy for regional development thinking. Instead, traditional business planning conventions and processes provide a useful discipline and framework for organizing bottom-up regional planning activities and moving past some of the reactive, transactional, or lofty aspirational development activity that often passes for regional planning.

In this respect, the preparation of metropolitan business plans (MBPs) and their use in various stakeholders’ “investment” decisions promises a number of advantages over current business-as-usual. Among other strengths metro business plans:

- Place regions in the middle of economic development action
- Ground strategy in rigorous economic analysis oriented to documented local conditions
- Transcend faddish, politically driven deal-making to focus on building long-term regional advantage
- Shift the focus from deficiencies and handouts to assets and markets, building on strengths, and capitalizing on investment opportunities
- Advance comprehensive and integrated strategies that reflect the interactive dynamics of local economies rather than narrow programmatic “silos”

- Engage the public, private, and civic sectors such that the plan development and implementation process itself creates new institutional capacity and consensus in the region
- Establish an ongoing process of setting goals and tracking progress, revisiting market status and opportunity, updating strategies and interventions, and managing continuous strategic economic development. Business planning is not just a protocol or one-time deal; it’s an ongoing, iterative enterprise
- Provide a new basis for state and federal programming. Rather than fragmented requests to hundreds of siloed programs in dozens of agencies, comprehensive MBPs that demonstrate their “returns” can be translated into investment prospectuses to enable more flexible, performance-based funding

Finally, the new approach appears to be timely. U.S. and world regions are eager to become more deliberate and strategic as they seek to move beyond the Great Recession in the context of an increasingly competitive global economy. At the same time, governments at all levels are looking to catalyze growth, break down traditional bureaucracies, become more customer-responsive, and particularly to increase their effectiveness and efficiency.

Metropolitan business planning, in short, is a well-grounded concept with significant practical and policy appeal at a time of searching for new models of economic stewardship. ■

IV. PILOTING THE CONCEPT: METROPOLITAN BUSINESS PLANNING IN THREE REGIONS

To test the concept of regional business planning and begin translating it to practice, the Brookings Institution and RW Ventures have been working with leaders in three metropolitan regions to develop experimental metro plans.

Selected through a limited request for proposals, teams from Northeast Ohio, Minneapolis-Saint Paul, and the Puget Sound region have been laboring for nearly a year to “co-produce” sound MBPs by dint of a systematic work plan and extensive collaboration that itself builds on deep preexisting regional planning.

In each case, the goal has been for each regions’ business, civic, and governmental leadership to come together to carry out a rigorous, data-oriented analytic process for ascertaining the market position of the regional economy; defining the regions’ vision and goals; and identifying promising economic strategies.

In this respect, good business planning is not a single, one-time exercise but instead a continuous, iterative process of assessment, strategy, and product and operational development with implications on many fronts. Considering the scale of a regional economy, therefore, it was decided that the first iterations of the MBPs would broadly cover key aspects of the economy with respect to the market analysis, vision, and strategy development components of business planning, but that the development of in-depth products, operational plans, and financials would initially be undertaken only for one illustrative initiative. (A full business plan would advance detailed initiatives for all of the strategies that the pilot regions aspire over time to develop.)

Along these lines, then, the MBPs currently consist of two main parts.

Grounding each plan is what the project team has called a *metropolitan development baseline overview* (MBDO)—a concise trend scan that employs standard and locally developed indicators of each metro area’s economic performance and market positioning to reveal regional challenges and opportunities, which then inform a broad vision for the region and a carefully designed array of mutually reinforcing economic growth strategies. Much of the market analysis and strategy development for this broad, but not-as-in-depth, part of the MBPs is organized around six key “leverage points” for affecting regional growth dynamics.¹⁰ These leverage points include:

- **Concentrations of industries, functions, and occupations.** Concentrated economic activity—often embodied in regional industry clusters—benefits the production of goods and services by facilitating knowledge spillovers and exchange, enhancing innovation; enabling shared labor and other inputs; and reducing transportation costs¹¹
- **Human capital deployed for economic growth.** Human capital is the single most important input to economic growth, but it must be *deployed*, which requires that attention be paid not just to production but to job creation, matching, and general labor market efficiency¹²

- **Innovation- and entrepreneurship-enabling resources and institutions.** The ability to innovate has been a longstanding driver of productivity gains, and is a growing priority in economic development policy and practice¹³
- **Spatial efficiency.** The location of businesses, suppliers, workers, and consumers within a region—and the infrastructure connecting them—determines the transaction costs between them, and also influences the economic benefits of agglomeration, such as shared labor pools and knowledge spillovers¹⁴
- **Effective public and civic institutions and culture.** Government shapes and enables market activity, and provides critical public goods from roads to education. Along with civic, business and cross-sector institutions, it also creates the institutional environment and culture that increasingly influences regional economies¹⁵
- **Information resources.** Well-developed and deployed information tools can enhance economic performance by boosting productivity, reduc-

ing transaction costs and risks, and influencing consumer preferences—all of which can also help to expand markets to underserved urban areas¹⁶

Following the baseline overview and growing out of it is the second part of the MBP: the *detailed development initiative* (DDI), which identifies a lead strategy for implementing the vision and completes the business plan—including products and services, operations, financials, and performance metrics—for implementing that strategy. Embedded in their overviews, visions and linked strategies for the regional economy, the DDIs move well beyond conventional economic development proposals in both their investment framing and level of market analysis and design work.

Finally, the business plans create the basis, as in the private sector, for each region to write a *metropolitan investment prospectus* that presents the regional investment opportunity (particularly the DDI) to potential government, industrial, and philanthropic partners.

THE METROPOLITAN BUSINESS PLANNING PROCESS INVOLVES THREE MAJOR STAGES



Source: RW Ventures and the Brookings Institution



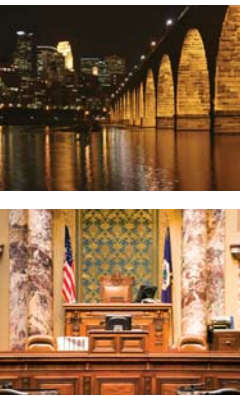
Turning to the pilot plans themselves, they are varied and in each case bring detailed region-specific market analysis to bear on significant initiatives that respond in fresh ways to regional (and national) challenges and opportunities. In this respect, broad and deep teams in each of the three partner metros have produced compelling metropolitan planning documents which reveal three quite different markets and identify tailored, integrated strategies for producing growth in each.¹⁷ Embodied in each plan is a different “growth story” and investment opportunity:

► **NORTHEAST OHIO (NEO):** In Northeast Ohio, the Fund for our Economic Future—a unique partnership of more than 50 regional philanthropies—along with the region’s federally and state funded Manufacturing Extension Partnership affiliate, MAGNET, has convened an unprecedented collaboration of local governments, elected officials, businesses, civic leaders, research and education institutions, and engaged citizens to address long-standing regional economic challenges. NEO leaders realize that to usher their region into the next economy they need to connect robust assets that are a legacy of its prosperous industrial past to the development of emerging industry clusters that are supported by growing innovation assets, a revitalized entrepreneurial environment, and a culture of regional collaboration. Along these lines, the NEO business planning

effort has concluded that the region’s economic transformation will be accomplished through coordinated strategies which nurture emerging high-technology, knowledge-intensive clusters; raise overall educational attainment levels and improve the skills of incumbent workers; strengthen public-private connections that enhance the entrepreneurial ecosystem; and increase government coordination and civic engagement across this diverse region, which includes five metropolitan areas. Manufacturing is a core strength of the region’s economic past and future, and the highlighted DDI seeks to transition “old economy” manufacturing companies (many of them auto-related) and their employees into new markets by enhancing their ability to innovate new products, materials, and services demanded by customers in such high-growth sectors as global health, flexible electronics, and clean energy. The Partnership for Regional Innovation Services to Manufacturers (PRISM) will provide hands-on assistance to participating firms to update business models, provide market intelligence, upgrade incumbent worker skills, and connect companies to relevant regional innovation resources.¹⁸ NEO presents a classic venture investment opportunity—an economy positioned to leverage its strong assets into a high-growth “restart,” with a smart business plan and great management



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► **MINNEAPOLIS-SAINT PAUL:** The Minneapolis-Saint Paul region has enormous assets—a highly educated and productive workforce; deep research and development expertise; a diverse business base, and the highest per-capita concentration of Fortune 500 corporations in the country. Combined with a history of civic engagement and regional thinking, these assets made the region an economic leader in the transition to the knowledge economy. However, the economy has recently been losing momentum, particularly with respect to entrepreneurship and the translation of innovative ideas to high-growth companies. In view of that, an impressive regional alliance led by the two major cities, the regional council of mayors, a prominent CEO group, and involving other local and state government officials and business and philanthropic leaders last year adopted the business planning approach to support and accelerate entrepreneurship in the region. Accordingly, the Minneapolis-Saint Paul MBP aims to build a flexible, adaptable, and dynamic business environment for

driving innovation by leveraging the area's concentration of headquarters and related functions; better linking research institutions to private-sector actors; fostering higher rates of entrepreneurship through advocacy and improved sequencing of investment; and providing higher-quality and more timely information for private-sector decision making. Meanwhile, the DDI specifically enhances the region's entrepreneurial environment by creating an Entrepreneurial Accelerator to provide new ventures with access to appropriate capital and sophisticated entrepreneurial assistance, including business planning, mentors, and networking opportunities. The Minneapolis-Saint Paul region presents a classic value stock opportunity: Recent underperformance highlights an opportunity for the region to realign its strong assets to increase entrepreneurship and competitiveness¹⁹

► **PUGET SOUND:** The metro economy in Puget Sound not only has strong assets; it is performing extraordinarily well on nearly all measures, from productivity and innovation to exporting and presence in the green economy. Nevertheless, the Puget Sound Regional Council—the region’s metropolitan planning organization and regional economic development entity—wants to keep the region on the leading edge, and for that reason has convened a wide cross-section of local government, business, trade association, venture capital, utility, research, and civic leaders to engage in metropolitan business planning. Through the process, the region has sought to identify strategies for enhancing the metro’s competitive edge while also pursuing new growth opportunities, and so the Puget Sound MBP identifies cross-cutting strategies that will increase human capital levels in high-demand fields; further strengthen core innovation intermediaries to turn research into commercial ventures; and robustly support its growing clusters. Drilling down further, the region’s DDI then identifies the next big cluster in which the region has a shot at leading in the global economy—sophisticated technologies and systems know-how for next-generation building energy efficiency—and creates the business enterprise to get there: the Building Energy-Efficiency Testing and Integration Center and Demonstration Network (BETI). BETI will seek to help transmute the region’s strong concentrations in software technologies and

energy efficiency products and services into a leading export sector by providing labs and expertise to test, integrate, demonstrate, and verify new technologies as well as necessary links to business service providers and other resources to facilitate commercialization.²⁰ Puget Sound is clearly a growth stock

It is important to stress that the cohering pilot metro business plans are not just conventional, static one-time project-development documents. Instead, the plans are—and will always be—works-in-process, for several reasons. First, they are living documents meant not only to guide but to be informed by actions and feedback from continuous implementation and further business planning. In that sense they are meant to set strategy in a dynamic, uncertain environment but also to respond to those conditions on an iterative basis. Second, the plans are not just remote blueprints but embedded products of an ongoing, continuing process of institutional development and collaboration by which multiple actors (local governments, planning intermediaries, business and civic groups, philanthropies) in each region have engaged in extensive consensus-building, visioning, and analysis, all motivated by a settled determination to execute. Indeed, the fact that each business planning team is led by a well-regarded regional entity, experienced in planning and executing broad strategies and generating significant stakeholder buy-in, lends each plan an important degree of legitimacy.





Finally, it bears emphasizing that each of the plans proposes not just an aspiration but a true business plan for operationalizing the proposed initiative that in each case solicits the provision of specific federal, state, local, private, and philanthropic responses and “investments,” whether of resources, flexibilities, rule adjustments, policy changes, or partnership. Along these lines, each DDI articulates a number of quite specific requests for engagement. Space does not permit an exhaustive itemization of the region’s detailed requests but suffice it to say that the proposals entail multiple sorts of new partnerships, including dedicated cross-agency teams; pooled programs and funds; joint application procedures; regulatory coordination and flexibility; and special criteria for grant awards:

- **Northeast Ohio:** Northeast Ohio’s business plan calls on regional business and philanthropic leaders and state policymakers to support Northeast Ohio’s PRISM by expanding and better coordinating their existing efforts and initiatives to encourage regional strategy-making, boost innovation, and develop promising growth clusters. For their part, federal leaders can best engage in PRISM through formal cross-agency collaboration—both at the federal level to set policy direction and the regional-level to assist implementers—and by providing increased program flexibilities, ranging from looser matching fund requirements to more balanced program performance metrics that take into account longer-term objectives as well as short-term outputs. In particular, regional discretion to use federal funds through the Economic Development Administration, the Manufacturing Extension Program, and other agencies to provide direct support to firms receiving trial services would be hugely helpful to PRISM as it would allow for evaluation and tuning of new services during development phases before their full, unsubsidized launch²¹
- **Minneapolis-Saint Paul:** The Minneapolis-St. Paul business plan urges local governments, businesses, philanthropies, and other regional leaders to support the Entrepreneurial Accelerator by continuing and expanding ongoing collective efforts to fundraise for this initiative and seed its most

high-return programs; better link small and big businesses, and form a single region-wide economic development entity. The state also has an important role to play by aligning workforce development to key clusters so that worker retraining and skills upgrading better support new business creation and expansion. Additionally, federal leaders can support regional endeavors like the Accelerator through robust, new, outcomes-focused, economic development federal-regional partnerships that align the multiple federal resources and programs, form on-the-ground regional teams of federal agency representatives, and provide near-term cross-agency funding subject to 1:1 matching by regional sources. Also helpful from federal leaders are policies that incent more angel and venture capital investing and the creation of a nationwide network of economic development intermediaries that can receive and coordinate multiple federal funding streams to help entrepreneurs²²

- **Puget Sound:** The Puget Sound area’s plan calls on regional civic and private sector leaders to support BETI by providing seed funding for initial operations and a revolving loan fund to finance real-world demonstrations. At the same time, state officials can be most helpful by appropriating funds to construct BETI’s facilities and purchase needed equipment. Finally, the plan challenges federal policymakers to establish federal leads at the regional-level to serve as a “one-stop concierge panel” to assist regional implementers by identifying relevant federal funding opportunities, and ultimately introducing new multi-agency awards in the future. In particular, ongoing funding of programs like the Department of Energy’s Energy Regional Innovation Cluster program, with perhaps more modest grant awards, would be very valuable. In addition, federal agencies can enter formal partnerships with BETI to allow use of their buildings and facilities in energy efficiency product demonstration and to dedicate commercialization and export assistance to newly verified technologies²³ ■

V. WHAT'S NEXT: IMPLICATIONS OF METRO BUSINESS PLANNING FOR ECONOMIC FEDERALISM

Metropolitan business planning offers a powerful tool for regional economic development. With its disciplined focus on market realities in individual metros, the new tool provides a rational methodology grounded in business and economics for sharpening regional economic development. Likewise, the strategy's urgent focus on execution has already proven effective and exciting in engaging and enhancing regional institutional capacity. More broadly, the pilot highlights the increasing sophistication of U.S. regional leadership in diverse U.S. metros.

But the attractions of metro business planning go beyond economic development practice in the regions. Regional business planning also has broad implications for federal and state policymaking—implications that could enable state and federal programs to more efficiently and productively engage with and invest in regions.

Currently, federal, state, and local development policy remains too-little-attuned to the metropolitan nature of the economy and its microeconomic underpinnings; over-focused on deficiencies as opposed to market strengths; siloed and narrow; top-down and rigid; and too little concerned with capacity building and data-provision.²⁴

By contrast, the metropolitan business planning paradigm presages a new set of development relationships, and entails major implications for federal and state programming. In a number of ways the MBPs begin to enable the new approach and suggest some important principles and practices for a new era of federal-state-metro relations. Here are a few of the implied principles:

➤ **Place-based policy is needed to complement macroeconomic policy.** As the fields of economic geography and institutional economics are revealing, nations need more economic policies and programming tailored to supporting the complex, place-based interactions of local market and institutional systems that drive metropolitan, and so national, prosperity²⁵

➤ **Policy efforts should build on market strengths.** Shifting from a programmatic, needs-based approach to investing in inclusive market development would be a much more effective use of the massive resources currently distributed through myriad, isolated programs addressing particular needs out of context and without prospect for long term solutions



► ***New programs should be created and existing programs adapted and “pooled” to support bottom-up, multi-dimensional, and more specialized regional development.***

Reflecting the logic of these metropolitan business plans, federal and state policy offerings should be at once integrated across agencies to acknowledge the complex interaction of local systems and sufficiently flexible that they can be adapted to accommodate the sharp differences between regions. Since regional economic systems are dynamic, local, and specialized, the federal response needs to be cross-program, flexible, and performance driven

► ***Existing siloed programs should be redesigned to support the “parts” of regional economies in context.***

If the success or failure of a local business, a technology venture, or a job training program depends upon interactions with other programs and other characteristics of the region, then the federal and state programs that remain in silos need to at least incent taking the regional economic context into account. This means workforce development or small business investments need to be informed by what clusters are emerging and connected to a rigorous cluster strategy.²⁶ Likewise, it means that affordable housing, for example, should get preferential placement in mixed income areas, or areas that are job and transit-rich. More broadly, it means that each federal program which is targeted to only one “part” of the regional system should ideally give preferences to integrated plans that weave the parts together because that’s how they work best to create economic growth

Likewise, several specific practical government responses flow from the initial metro business plan experiments:

► ***Support further experimentation and pilots.*** The present three pilot plans suggest the promise of metropolitan business planning but remain a narrow set of test sites. Helping more regions test the concept by providing them modest grants to support the development of regional business plans would be a low-cost, useful way to further develop the approach

► ***Create cross-agency regional teams.*** Another simple step would be to create cross-agency teams to work with any region offering the equivalent of a metropolitan business plan. These teams could help identify, shape, and coordinate resources to more effectively invest in regional prosperity. They might even help work out a new “common application” process to allow one MBP to be considered by multiple agencies and programs

► ***Support the development of regional institutional capacity.*** Broad and continuing intergovernmental collaboration at the regional level along with private- and civic-sector engagement, planning, and implementation are needed to develop the right comprehensive strategies, policies, and programs tailored to place and to make them work. Modest investments in technical assistance, convening dollars, and operational grants for lead convening entities would do a lot to increase the capacity of metro areas to develop, update, and implement their business plans and would likely generate large returns

► ***Invest in rich information resources.*** Information fuels markets, reducing transaction costs and enhancing efficiency, and also enables strategic planning and action. The federal government is a critical source of the rich information resources needed to develop regional economic growth strategies and to make them work. These resources will also yield large returns on the investment²⁷

In these ways, then, the metropolitan business planning paradigm envisions nothing short of a major reordering of federal-state-local relations in how the United States conducts regional economic development activities. Over time, the new experiment envisions the federal and state governments receiving indigenous, sophisticated, and comprehensive economic growth plans from assertive regions and investing in the best of them wholesale—on the basis of promised performance “returns” in producing firm, job and economic growth; greater domestic product and tax receipts; and lower welfare costs. Rather than thousands of fragmented local entities responding to hundreds of disparate, uncoordinated, rigid, and not-always-relevant programmatic offerings spread across scores of federal and state agencies, it creates the opportunity for a much more effective and productive use of resources, driven from the bottom-up, just like the economy, and channeled through integrated, well-designed regional initiatives. Such a reordering would not require more resources: it would simply use the billions of dollars flowing to metropolitan areas much more wisely, and produce greater national economic growth.

In sum, the present pilot attempt at metropolitan business planning is just getting underway, but the project team and its metropolitan partners are already convinced of two things. First, it’s quite clear that engaging cross-sector local leadership in the market-based, business-disciplined development of comprehensive regional growth planning is creating better strategies and enhanced capacity for generating long term economic prosperity than have existed before. And second, it’s evident that the development of strong regional business plans and partner collaboratives provides a prerequisite for the development of a new, more effective, bottom-up investment approach by government, which is already beginning to move in this direction at the federal level and in some states. In short, a great deal remains to be learned and invented, and the development team looks forward to the field and government broadly engaging to better invest in regional and national prosperity. ■

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NOTES

1. Among the major economists who have called for a new growth model is Lawrence Summers, director of the National Economic Council in the Obama administration. See Lawrence H. Summers, "Rescuing and Rebuilding the U.S. Economy: A Progress Report," address at the Peterson Institute for International Economics, July 17, 2009, available at www.iie.com/publications/papers/paper.cfm?ResearchID=1264. See also Bruce Katz, "The Next Economy: Transforming Energy and Infrastructure Investment," address at the Lazard-Brookings Conference on the Next American Economy: Palo Alto, CA, February 2010, available at www.brookings.edu/~media/Files/events/2010/0203_next_economy/0203_nextecon_katz.pdf.
2. Approaching cities as an investment opportunity to grow the national economy will require that governments alter their longstanding tendency to approach cities as troubled supplicants needing programmatic handouts to address a laundry list of problems such as affordable housing, crime, and unemployment.
3. Paul Krugman, *Development, Geography and Economic Theory* (Cambridge, MA: MIT Press, 1997), p. 53.
4. See, for example, Alan Berube, "MetroNation: How U.S. Metropolitan Areas Fuel American Prosperity." (Washington: Brookings Institution, 2007). The place-based and metropolitan nature of market systems is no coincidence. As research in the burgeoning field of economic geography is demonstrating, the geographic proximity of key assets and actors in the economy enhances their individual and collective performance. Moreover, this appears to be truer than ever in the knowledge economy. See, generally, Gordon L. Clark, Maryann P. Feldman and Meric S. Gertler, Eds., *The Oxford Handbook of Economic Geography* (Oxford: Oxford University Press, 2000) and Edward L. Glaeser, "Are Cities Dying?" *The Journal of Economic Perspectives* 12 (2) (Spring 1998): 140.
5. J. Vernon Henderson, "The Sizes and Types of Cities," *American Economic Review* 64 (1974): 640-656. See also Robert Weissbourd and Christopher Berry, "Changing Dynamics of Urban America," (Chicago: RW Ventures for CEOs for Cities, 2003).
6. For background on governments' lack of sensitivity to the regional and varied nature of the economy, see, among others, Mark Muro and others, "MetroPolicy: Shaping A New Federal Partnership for a Metropolitan Nation" (Washington: Brookings Institution, 2008), available at www.brookings.edu/reports/2008/06_metropolicy.aspx; and Mark Drabenstott, "Rethinking Federal Policy for Regional Economic Development," Federal Reserve Bank of Kansas City *Economic Review* (1) (2006): 115-142. For a general critique of the federal government's traditionally narrow, strategy-short, and deficiency-focused approach to urban and metropolitan policy see Alan Mallach, "Facing the Urban Challenge: The Federal Government and America's Older Distressed Cities," (Washington: Urban Institute, 2010), available at www.urban.org/publications/1001392.html. Finally, for a summary discussion on the shortcomings of federal and state metro policy, see "Tea with *The Economist*:" Bruce Katz on metropolitan areas," (London: *The Economist*), available online at http://audiovideo.economist.com/?fr_story=dddb0b6b678b929d20c51dee23691403e42f0fb7&rf=bm.
7. For a critique of conventional economic development strategies see Mark Muro and Kenan Fikri, "Leveraging Regional Innovation Clusters to Reignite Innovation, Entrepreneurship, and Job Creation" (Washington: Brookings Institution, forthcoming January 2011). For information on the faddish tendencies of local economic development policies, see Ivan Turok, "The distinctive city: pitfalls in pursuit of differential advantage," *Environment and Planning A* 41 (2009): 13-30. For background on firm relocation and smokestack-chasing strategies see Timothy Bartik, "Solving the Problem of Economic Development Incentives." In Ann Markusen, ed., *Reining in Competition for Capital* (Kalamazoo: W.E. Upjohn Institute for Employment Research, 2007); and Terry Buss, "The Case Against Targeted Industry Strategies," *Economic Development Quarterly* 13 (1999): 339-359. For discussion of the disconnected, single-project orientation of local development policy see Alan Mallach, "Facing the Urban Challenge."
8. Many, many business and how-to books have provided detailed definitions, methodologies, and even specific section-by-section templates for private-sector business planning. Among the more cogent is Graham Friend and Stefan Zehle, *Guide to Business Planning*. (London: The Economist Newspaper, Ltd., 2004). See also Linda Pinson, *Anatomy of a Business Plan: A Step-by-Step Guide to Building a Business and Securing Your Company's Future*. (Chicago: Dearborn Trade Publishing, 2001); and William Sahlman, "How to Write a Great Business Plan," *Harvard Business Review* (July-August 1997): 98-108.
9. See Friend and Zehle, *Guide to Business Planning*. In their telling the business planning process begins with a "stakeholder analysis" and discussion of "vision, mission, and objectives" before proceeding through "environmental analysis" and the generation of "strategic options." These activities undergird "market analysis and strategy" work, evaluation and selection of strategies, "examination of funding issues," "risk analysis," presentation of the plan, and implementation.
10. These leverage points are derived from extensive joint analysis of research and practice on regional economies, including with colleagues in companion projects on "Implementing Regionalism" (undertaken with the Institute for Policy Studies at George Washington University and sponsored by the Surdna Foundation) and on the Chicago Metropolitan Agency for Planning's regional plan for Chicago (sponsored by the Chicago Community Trust). The full framework will be released in the following papers from those projects: Robert Weissbourd and Gretchen Kosarko, "Go to 2040: Strengthening the Regional Economy" (Chicago: Chicago Metropolitan Agency for Planning, forthcoming) and Harold Wolman and others, "Implementing Regionalism" (New York: Surdna Foundation, forthcoming). Note that the six leverage points build from asset areas identified as the "drivers" of regional prosperity advanced by the Metropolitan Policy Program at Brookings in its *Blueprint for American Prosperity* project. The Brookings drivers entail key factors in regional success such as the local innovation capacity, a place's store of human capital, its basic infrastructure, and its quality of place along with the effectiveness of its governance structures. See Alan Berube, "MetroNation;" Mark Muro and others, "MetroPolicy;" and Robert Lang, Andrea Sarzinski, and Mark Muro, "Mountain Megs: America's Newest Metropolitan Places and a Federal Partnership to Help Them Prosper." (Washington: Brookings Institution, 2008).
11. Alfred Marshall, *Principles of Economics* (London: Macmillan and Co, 1890); J. Vernon Henderson, "Marshall's Scale Economies," *Journal of Urban Economics* 53(1) (2003): 1-28; Gilles Duranton and Diego Puga, "From Sectoral to Functional Urban Specialization." Working Paper 9112 (NBER, 2002); Michael Porter, *Competitive Advantage: Creating and Sustaining Superior Performance* (New York: Free Press, 1998). For a general review, see Joseph Cortright, *Making Sense of Clusters: Regional Competitiveness and Economic Development* (Washington, DC: The Brookings Institution, March 2006). On agglomeration economies, see Edward Glaeser, ed., *Agglomeration Economies* (National Bureau of Economic Research Conference Report) (Chicago: University of Chicago Press, 2010).



12. Christopher Berry, Riccardo Bodini, and Robert Weissbourd, *Grads and Fads: The Dynamics of Human Capital Location*, (Chicago: CEOs for Cities, August 2005). For a review of the literature, see Paul D. Gottlieb and Michael Fogarty, "Educational Attainment and Metropolitan Growth," *Economic Development Quarterly* 17(4) (2003): 325-336. See, also, Edward Denison, "Trends in American Economic Growth, 1929-82" (Washington, DC: Brookings Institution, 1985); Paul Romer, "Endogenous Technological Change," *The Journal of Political Economy* 98(5) (October 1990): S71-S102; Vijay Mathur, "Human Capital-Based Strategy for Regional Economic Development," *Economic Development Quarterly* 13(3) (1999): 203-216; Edward Glaeser and Janet Kohlhase, "Cities, Regions and the Decline of Transport Costs." Discussion Paper 2014 (Harvard Institute of Economic Research, July 2003).
13. Gene Grossman and Elhanan Helpman, *Innovation and Growth in the Global Economy* (Cambridge: MIT Press, 1991); Joseph Schumpeter, *Capitalism, Socialism, and Democracy* (New York: Harper Brothers, 1947); Paul M. Romer, "Increasing Returns and Long Run Growth," *Journal of Political Economy* 94 (5) (1986): 1002-1037; Robert Atkinson and David Audretsch, "Economic Doctrines and Policy Differences: Has the Washington Policy Debate Been Asking the Wrong Questions?" (Washington: Information Technology and Innovation Foundation, 2008).
14. Andrea Sarzynski and Alice Levy, "Spatial Efficiency and Regional Prosperity: A Literature Review and Policy Discussion." Working Paper #41 (Washington, DC: George Washington Institute of Public Policy, 2010) available at www.gwu.edu/~gwipp/SpatialEfficiencyWPAug16.pdf. Also see, for example, Jackie Cutsinger, George Galster, Royce Hanson, and Doug Towns, "Verifying the Multi-Dimensional Nature of Metropolitan Land Use: Advancing the Understanding and Measurement of Sprawl," *Journal of Urban Affairs* 27 (3): 235-259; William T. Bogart, *Don't Call it Sprawl* (Cambridge: Cambridge University Press, 2006); and Keith Ihlanfeldt, "The Geography of Economic and Social Opportunity in Metropolitan Areas." In A. Altshuler, W. Morrill, H. Wolman, and F. Mitchell, eds., *Governance and Opportunity in Metropolitan America* (Washington: National Academy Press, 1999).
15. See among others Christopher Berry, *Imperfect Union: Representation and Taxation in Multilevel Governments* (Cambridge: Cambridge University Press, 2009); Vincent Ostrom, Charles Tiebout, and Richard Warren "The Organization of Government in Metropolitan Areas: A Theoretical Inquiry," *The American Political Science Review*, 55 (4) (1961): 831-842; Douglas North, *Institutions, Institutional Change, and Economic Performance* (Cambridge: Cambridge University Press, 1990); Richard Nelson, ed., *The Limits of Market Organization* (New York: Russell Sage Foundation, 2005); Robert Weissbourd, "Into the Economic Mainstream: A Discussion Paper on Bipartisan Policies for Inclusive Economic Growth," prepared for Opportunity Finance Network and CFED (August 2006), available at <http://rw-ventures.com/publications/downloads/Distribution%20Draft%20IEM%20Paper%208-6-06%20rw.pdf>.
16. Joseph Stiglitz, "Information and the Change in the Economics Paradigm," Nobel Prize Lecture (2001); George J. Stigler, "The Economics of Information," *The Journal of Political Economy* 69 (3) (1961); Robert Weissbourd and Riccardo Bodini, "Using Information Resources to Enhance Urban Markets" (Washington: Brookings Institution, 2005); George Akerlof, "The Market for Lemons: Quality Uncertainty and the Market Mechanism," *Quarterly Journal of Economics* 89 (1970); Karen Eggleston, Robert Jensen, and Richard Zeckhauser, "Information and Communication Technologies, Markets, and Economic Development." In G. Kirkman, et al., eds., *The Global Information Technology Report: Readiness for the Networked World* (New York: Oxford University Press, 2000); Eric Scorsone and Stephan Weiler, "New Markets as Informational Asymmetries," *Economic Development Quarterly* 18 (3) (2004).
17. In Northeast Ohio, the MBP team includes the Fund for Our Economic Future, the Manufacturing Advocacy and Growth Network, BioEnterprise, Jumpstart, NorTech, and the Greater Cleveland Partnership, among others. In Minneapolis-St. Paul, the team engages the Itasca Project, Jumpstart Community Advisors, the Cities of Minneapolis and St. Paul, the Regional Council of Mayors, and Target Corporation, among others. In Puget Sound, the team involves the Puget Sound Regional Council, the University of Washington, Washington State University, the Greater Seattle Chamber of Commerce, and the Seattle Foundation, among others.
18. Fund for Our Economic Future, Manufacturing Advocacy and Growth Network, and others, "Northeast Ohio Metropolitan Business Plan." Working draft.
19. Itasca Project, Jumpstart Community Advisors, and others, "Minneapolis-St. Paul Business Plan." Working draft.
20. Puget Sound Regional Council and others, "Puget Sound Metropolitan Business Plan." Working draft.
21. Fund for Our Economic Future and others, "Northeast Ohio Metropolitan Business Plan."
22. Itasca Project and others. "Minneapolis-St. Paul Metropolitan Business Plan."
23. Puget Sound Regional Council and others, "Puget Sound Metropolitan Business Plan."
24. Mark Muro and others, "MetroPolicy." See also Robert Atkinson and Howard Wial, "Boosting Productivity, Innovation, and Growth Through a National Innovation Foundation" (Washington: Brookings Institution, 2008) and Karen Mills, Elisabeth Reynolds, and Andrew Reamer, "Clusters and Competitiveness: A New Federal Role for Stimulating Regional Economies" (Washington: Brookings Institution, 2008); and Muro and Katz, "The 'Cluster Moment.'"
25. See, Bruce Katz, Testimony United States Senate Committee on Banking, Housing and Urban Affairs, Subcommittee on Economic Policy (December 9, 2009).
26. See Mark Muro and Bruce Katz, "The New 'Cluster Moment': How Regional Innovation Clusters Can Foster the Next Economy" (Washington: Brookings Institution, 2010).
27. Andrew Reamer, "Putting America to Work: The Essential Role of Federal Labor Market Statistics" (Washington: Brookings Institution, 2010); Andrew Reamer and Pari Sabety, "Robust Tools for the Urban Investor" (Washington: Brookings Institution, 2005); Pari Sabety and Virginia Carlson, "Using Information to Drive Change: New Ways to Move Urban Markets" (Washington: Brookings Institution Urban Markets Initiative, 2004); Robert Weissbourd and Riccardo Bodini, "Using Information Resources to Enhance Urban Markets" (Washington: Brookings Institution, 2005).

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Created in 1996, the Metropolitan Policy Program provides decisionmakers with cutting-edge research and policy ideas for improving the health and prosperity of metropolitan areas including their component cities, suburbs, and rural areas. To learn more visit www.brookings.edu/metro

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