Initiative for a Competitive Milwaukee

The Time for Action
Inner City Milwaukee

A Place for Business
• 5,000 businesses that employ over 120,000 people

Poor
• 27% live in poverty (11% MSA)
• $26K median household income ($46K MSA)

Young
• 40% is under age 21 (23% MSA)

Educated
• 68% graduated from HS (85% MSA)
• 38% have some college (55% MSA)

Working
• 88% employed (95% MSA)
• Women with children work, 69% in IC (75% MSA)

Diverse
• 376,221 residents
• 50% Black, 30% White, 15% Hispanic vs. 10% minorities for MSA

Initiative for a Competitive Milwaukee

The Time for Action
Initiative for a Competitive Milwaukee

The Time for Action

Dr. Michael E. Porter

September 15, 2003
Topics

- Foundations of regional competitiveness
- A new model for inner city revitalization
- Initiative for a Competitive Milwaukee Action Plans
Productivity does not depend on what industries a region competes in, but on how it competes.

The prosperity of a region depends on the productivity of all its industries.
Productivity and the Business Environment

Context for Firm Strategy and Rivalry

- A local context and rules that encourage investment and sustained upgrading
  - e.g., Intellectual property protection
- Open and vigorous competition among locally based rivals

Factor (Input) Conditions

- Presence of high quality, specialized inputs available to firms
  - Human resources
  - Capital resources
  - Physical infrastructure
  - Administrative infrastructure
  - Information infrastructure
  - Scientific and technological infrastructure
  - Natural resources

Demand Conditions

- A core of sophisticated and demanding local customer(s)
- Local customer needs that anticipate those elsewhere
- Unusual local demand in specialized segments that can be served nationally and globally

Related and Supporting Industries

- Access to capable, locally based suppliers and firms in related fields
- Presence of clusters instead of isolated industries
Clusters and Competitiveness
The California Wine Cluster

- Growers/Vineyards
- Wineries/Processing Facilities
- Educational, Research, & Trade Organizations (e.g., Wine Institute, UC Davis, Culinary Institutes)
- State Government Agencies (e.g., Select Committee on Wine Production and Economy)

Sources: California Wine Institute, Internet search, California State Legislature. Based on research by MBA 1997 students R. Alexander, R. Arney, N. Black, E. Frost, and A. Shivananda.
Specialization of Regional Economies
Select U.S. Geographic Areas

- **Seattle-Bellevue-Everett, WA**
  - Aerospace Vehicles and Defense
  - Fishing and Fishing Products
  - Analytical Instruments

- **San Francisco-Oakland-San Jose Bay Area**
  - Communications Equipment
  - Agricultural Products
  - Information Technology

- **Los Angeles Area**
  - Apparel
  - Building Fixtures, Equipment and Services
  - Entertainment

- **San Diego**
  - Leather and Sporting Goods
  - Power Generation
  - Education and Knowledge Creation

- **Wichita, KS**
  - Aerospace Vehicles and Defense
  - Heavy Machinery

- **Pittsburgh, PA**
  - Construction Materials
  - Metal Manufacturing
  - Education and Knowledge Creation

- **Chicago**
  - Communications Equipment
  - Processed Food
  - Heavy Machinery

- **Boston**
  - Analytical Instruments
  - Education and Knowledge Creation
  - Communications Equipment

- **Raleigh-Durham, NC**
  - Communications Equipment
  - Information Technology
  - Education and Knowledge Creation

- **Wichita, KS**
  - Aerospace Vehicles and Defense
  - Heavy Machinery
  - Oil and Gas

- **Pittsburgh, PA**
  - Construction Materials
  - Metal Manufacturing
  - Education and Knowledge Creation

- **Atlanta, GA**
  - Construction Materials
  - Transportation and Logistics
  - Business Services

- **Houston**
  - Heavy Construction Services
  - Oil and Gas
  - Aerospace Vehicles and Defense

Note: Clusters listed are the three highest ranking clusters in terms of share of national employment
Source: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School
## Composition of Regional Economies

### United States

<table>
<thead>
<tr>
<th></th>
<th>Traded Clusters</th>
<th>Local Clusters</th>
<th>Natural Resource-Driven Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of Employment</td>
<td>31.6%</td>
<td>67.6%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Employment Growth, 1990</td>
<td>1.6%</td>
<td>2.6%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>to 2001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Wage</td>
<td>$44,956</td>
<td>$28,288</td>
<td>$33,245</td>
</tr>
<tr>
<td>Relative Wage</td>
<td>133.8</td>
<td>84.2</td>
<td>99.0</td>
</tr>
<tr>
<td>Wage Growth</td>
<td>4.5%</td>
<td>3.7%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Relative Productivity</td>
<td>144.1</td>
<td>79.3</td>
<td>140.1</td>
</tr>
<tr>
<td>Patents per 10,000</td>
<td>21.7</td>
<td>1.3</td>
<td>7.2</td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of SIC Industries</td>
<td>590</td>
<td>241</td>
<td>48</td>
</tr>
</tbody>
</table>

Note: 2001 data, except relative productivity which is 1997 data.
Source: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School
Milwaukee Region Traded Clusters

Source: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School

Region’s share of National Employment 0.68
The Role of Inner Cities in Regional Prosperity

- **Equity**

- Inner city vitality *frees up resources* now required to address social and economic disadvantage

- Enhances the *return to public investment in transportation infrastructure*, expands the *housing stock*, and *mitigates urban sprawl*

- More *efficient spatial organization* of regional industry

- Ease constraints to *regional* economic growth through utilizing the inner-city’s labor force, land, and infrastructure more fully

- **Substantial growth and profit opportunities** in the inner city itself
Inner City Economic Revitalization

Premises of the New Model

<table>
<thead>
<tr>
<th>Traditional Model</th>
<th>New Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce Poverty</td>
<td>Create Jobs and Wealth</td>
</tr>
<tr>
<td>Focus on Deficiencies</td>
<td>Focus on Opportunities</td>
</tr>
<tr>
<td>Need: Social Services</td>
<td>Need: Investment</td>
</tr>
<tr>
<td>Lead: Government</td>
<td>Lead: Private Sector</td>
</tr>
</tbody>
</table>

Focus on Deficiencies

Need: Social Services

Lead: Government

Focus on Opportunities

Need: Investment

Lead: Private Sector
Competitive Advantages of Milwaukee’s Inner City

- **Underutilized Workforce**
  - 12% of the inner city workforce is available to work (4% in the four-county region)
  - 15% of inner city workforce underemployed based on skill

- **Strategic Location**
  - Close to highways, airport, port, public transportation and rail
  - 78% of vacant industrial land tracts are in inner city

- **Linkage to Regional Clusters**
  - Major regional clusters are already in the inner city
  - Inner city is an efficient supply point for regional clusters (e.g., BPSC, Mfg.)

- **Underserved Market**
  - The inner city represents $1.4 billion of retail spending power, 30% of the city’s total

## Business Environment
### Milwaukee Inner City

### Challenges

- **Crime**
  - Almost 90% of violent crimes occur in the inner city while only 65% of the population is in the inner city

- **Workforce Preparedness**
  - Milwaukee HS graduation rate only 41%
  - ICM manufacturing survey revealed that inner city workforce is not perceived by employers to be as technically skilled as the workforce in other geographic areas

- **Land availability**
  - Milwaukee’s inner city lacks readily available sites for business. Small and fragmented land parcels, antiquated facilities and brown fields make it difficult and expensive to prepare inner city sites

### Recommendations

- **Crime**
  - Private-sector led partnerships that invest in securing business districts
  - Creating jobs in inner cities is proven to reduce crime

- **Workforce Preparedness**
  - Private-sector led initiatives to improve the Milwaukee Public Schools (e.g., GMC’s school initiative)
  - Strong regional collaborative efforts with employers and training providers, such as the WRTP and Workforce Enterprise

- **Land availability**
  - The recent merger of the MMAC and Milwaukee Redevelopment Corporation should work to assemble a private-sector led initiative to remediate vacant land

Source: U.S. Census 2000, DWD, ICM Manufacturing survey, ICIC research
Economic Landscape
1995-2001

Note: The Local Community and Civic Organizations Cluster is not included in this picture
Source: Cluster Mapping Project, ES202 data; ICIC analysis
## Cluster Action Plans

### Key Highlights

#### Health Services

- **Opportunities**
  - The labor shortage in healthcare creates the need to increase the number of mid-skilled inner city workers.
  - The growing elderly in Milwaukee present workforce and business opportunities for the inner city.

- **Action Plan**
  - Four key hospitals have committed to increase the number of skilled inner city workers from 8.6% to 10% by 2010, a potential increase of 1000 more skilled workers.
  - The Milwaukee Aging Consortium will develop a training curriculum to improve services to the elderly and workforce retention.
  - The Initiative for a Competitive Milwaukee will convene entrepreneurs to inform them about the business opportunities in non-medical support services.
Cluster Action Plans

Key Highlights

**Construction & Development**

- **Opportunity**
  - Use the impending construction boom to increase minority and women participation in the workforce and in business

- **Action Plan**
  - The Wisconsin Regional Training Partnership, through its Power the Future Academy, will train and place inner city workers on the largest state construction projects
  - The Milwaukee Area Technical College plans to introduce a 2-year construction management program to increase the number of minorities and women in management positions
## Business Process Service Centers

**Opportunity**
Gain share in a growing industry (15% a year) based on the competitive assets
- Presence of key BPSC operations
- A young, educated and ready workforce
- Available real estate

**Action Plan**
The Metro Milwaukee Association of Commerce working with partners will:
- Contact regional BPSCs to expand or relocate to Milwaukee
- Contact businesses, real estate developers and site consultants to attract new BPSC
Manufacturing Matters to Milwaukee

Manufacturing is important to the inner city
- 30% of all jobs in the inner city are in manufacturing
- 1 in 5 inner city residents who work has a manufacturing job

Manufacturing employment is declining in Milwaukee, but grew in the surrounding counties between 1995-2001
- Waukesha, Ozaukee and Washington counties grew by 2.2%
- Milwaukee County employment decreased -2.2%
- Inner City Milwaukee employment decreased -2.6%

Industrial development is more difficult in the inner city
- 78% of city’s industrially zoned land is in the inner city
- However, sites are small, fragmented and may be contaminated

Source: 1995-2001 ES 202, 11/02 MPROP
ICM Manufacturing Survey Results
(370 total responses)

Some strong performers in a mixed picture
- 44% showed revenue growth and 33% employment growth between 1999 and 2002
- In 2002, 75% are profitable and 44% grew in profitability
- Better performers compete on proprietary products, charge a price premium and invest in more workforce training than in the past

All manufacturing jobs are not leaving the region
- 73% of manufacturers expect to be in business at their current location in five years
- 20% (roughly 800) manufacturers are planning a plant expansion
- While foreign competition was the top business concern of respondents, only 23% have considered moving their business overseas
Manufacturing Retention & Renewal
Emerging Action Plan

Make Milwaukee the place of choice for U.S. based manufacturing by:

- Retaining the region’s manufacturing firms; in particular, stop the loss of manufacturing firms from the inner city.
- Target the 20% of manufacturers in the region that are planning plant expansions.
- Creating a focused land development process and specialized workforce development to support Milwaukee as a competitive manufacturing location.
- Add an inner city (place-based) component to existing minority supplier development programs to expand diversity.

The recent merger of the Metro Milwaukee Association of Commerce and the Milwaukee Redevelopment Corporation will lead these efforts.
Initiative for Competitive Milwaukee Implementation Structure

GMC

Executive Committee
Chairs: K. Hudson & A. Smith

Inner City Team
(1 Executive, 2 Project Managers)

Implementation Teams

Manufacturing
Business Process Service Centers
Construction and Development
Health Services
Entrepreneurship

Workforce Development
Initiative for a Competitive Milwaukee

The Time for Action