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**Business Leadership Lessons
from the Cleveland Turnaround**

James E. Austin

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BUSINESS LEADERSHIP LESSONS FROM THE CLEVELAND TURNAROUND

James E. Austin
McLean Professor of Business Administration
Harvard University Graduate School of Business Administration
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Turn around a company? It happens all the time. Turn around a city? That is a task of Herculean magnitude; it happens very seldom. Major problems afflict our cities, and the corrosive effects of urban decay have pushed many cities into a devastating downward slide. Vibrant societies require great cities, but cities cannot be great without significant leadership from the business community. Political and civic leaders play essential roles, but unless business leaders are centrally involved in generating solutions to these pressing urban problems, there will be no lasting solution.

Every city, like every company, is unique, but the Cleveland turnaround does provide us with a benchmarking opportunity for how business leaders can help meet the challenge of renewing our cities. From the wreckage of bankruptcy, riots, political conflict, and economic decay, the leaders of Cleveland's business, government, and civic organizations have been engaged over the past 20 years in an important process of revitalizing their city. Our analysis¹ of that experience sheds light on four central questions:

What is business leaders' role in urban revitalization?

How can business leaders organize themselves effectively for collective action?

What are key considerations in formulating community development strategy?

How can strategy be best implemented?

To answer these questions we will focus in particular on the experience of the business CEO organization Cleveland Tomorrow, which has played a major role over nearly two decades in the city's revitalization. First, a brief look at Cleveland's decline and recovery.

¹Our research involved individual interviews and group discussions with over 150 business, government, and civic leaders and archival review of primary and secondary sources over the 1995-98 period. The author expresses his gratitude to the dozens of Cleveland community leaders and organizations who generously gave of their time and collaboration to enable this research and to my Research Associates of the Harvard Business School, Jaan Elias and Andrea Strimling, for their invaluable assistance, and to the Harvard Business School Division of Research for the financial support of this effort carried out as part of the HBS Initiative on Social Enterprise.

THE FALL AND RISE OF CLEVELAND

The Fall

From its historical position as a preeminent, vital manufacturing center, Cleveland was caught in the downward spiral afflicting the Midwest's heavy industry Rust Belt. Hit by rising labor costs and growing foreign competition since the 1960s, manufacturers shut down their factories and moved to the Sun Belt or abroad. By the 1980s Cleveland had lost over half of its manufacturing jobs. The city's Cuyahoga River was so full of industrial pollutants that it caught on fire, vividly signaling Cleveland's degraded state. People fled from the bleak city to the suburbs or beyond. A deteriorating city housing stock made the suburbs even more attractive, and court-ordered busing of school children accelerated the flight. Between 1950 and 1980 Cleveland's population dropped almost 40% from 914,000 to 570,000, with nonwhites becoming the city's majority.² Unemployment rose, incomes dropped, crime increased, race riots erupted, the tax base eroded, the school system deteriorated, budget deficits mounted, and a newly elected populist mayor clashed with the business community. This free fall crashed on December 15, 1978 when Cleveland defaulted on its loans, the first city since the Great Depression to go bankrupt. The city was ridiculed nationally as the "mistake on the lake." Cleveland was in crisis.

The Rise

Spurred by the crisis, business and other community leaders stepped forward and began a slow and arduous process of creating new organizations, new relationships, new strategies, and new attitudes. They fundamentally reshaped the way the city carried out the core task of community building. This included redefining the business leadership's role and its interaction with government and civic organizations. In July 1996 Cleveland celebrated its bicentennial and its impressive revitalization. It had won an unprecedented five All-America City Awards from the National Civic League. Its decaying downtown and polluted waterfront had been transformed into vibrant commercial, sports, and entertainment centers; its economic base had been diversified and strengthened; the city's general fund balance was a plus \$25 million in 1996 and its bond rating had recovered from a miserable Ca1 in 1978 to a respectable Aaa in 1996³; and vigorous redevelopment was occurring in its neighborhoods. Instead of being the brunt of national jokes, Cleveland now receives a continual flow of visiting leaders from communities around the nation who come to learn how to revitalize a city. [See Box 1 for details on progress in the areas of downtown development, neighborhood revitalization, economic rejuvenation, quality of life, and image.]

The Unfinished Agenda

Urban revitalization is a long-term process with success in the initial stages indicated by stopping the deterioration. Cleveland halted the fall, turned the corner, and is on the way up. Many problems remain, however, and are recognized by Cleveland

²Unless otherwise indicated, the statistics cited in the text are drawn from "The Cleveland Turnaround" Case Series, Harvard Business School, 9-796-151 through 154, 1996.

³Moody's Investors Service, "Moody's Municipal and Governmental Manual," 1979, 1997

leaders as part of their unfinished community-building agenda. Although per capita income of the central city population rose between 1980 and 1990 from \$5,700 to \$9,050, the percentage living in poverty was still among the highest in the nation, as was the 35% portion of single-headed households. The income gap between the central city and the suburbs has widened. The city's public school system is in receivership, educational attainment poor, and the share of college degree holders among the city's residents ranks near the bottom of major cities. Race and ethnic relations have made significant strides forward, but de facto housing segregation remains extreme. Although several of Cleveland's medical institutions are ranked among the best in the country, the city's Infant Mortality Rate is worse than most other major cities. Cleveland still lags behind many other cities on several other performance indicators. Most of these cities, however, had not fallen as far as Cleveland, and so its comeback journey and progress has been more impressive than many of its urban counterparts even though it has not yet caught them. Perhaps even more importantly, Cleveland has created a community-building process whose momentum and power may be its most significant accomplishment, for this is what will power the city's journey of continuous improvement. And the business leadership plays a central role in this on-going renaissance.

BUSINESS LEADERS' ROLE

Triggering Transformation

For the business leaders in Cleveland, this challenge of change entailed a rethinking of their appropriate leadership role in the community. So the first general query is: *What does it take to motivate business leaders to transform their traditional approach toward their community?* Cleveland's bankruptcy and political crisis served as the triggering devices to rethink the business leaders' roles. Cleveland's downward slide, like many other cities, seemed inexorable. The slippage is often insidiously slow: things are not going well but they don't seem like a disaster either, so people tend to keep doing what they've been doing, although they might complain more about "things getting worse in the city." Communities, like companies, often need to be shocked into action. It may take a crisis to catalyze the change process. Richard Pogue, then Managing Partner of Cleveland-based Jones, Day, Reavis & Pogue, the country's second-largest law firm, described Cleveland's moment of crisis: *"Standing on the precipice and looking over the edge into the abyss, Cleveland's business leadership said, in effect, 'Enough is enough.'"*⁴

For Cleveland, falling into the disgrace of default was the wake up call, which led one leader to assert that *default "turned out to be the best thing that ever happened to us."* Bankruptcy can be invigorating. But not being able to pay the loans, or more precisely, the banks' refusal to roll over the notes, was not the real crisis. It was simply the attention-getter that sparked the leaders to confront the core problems, abandon the status quo, and initiate change. Morton Mandel, then CEO of Premier Industrial Corporation, explained that the business leaders' new activism was *"fueled by our*

⁴ All quotes used in the article, unless otherwise footnoted, are drawn from direct interviews by the author of Cleveland leaders

disappointment with certain aspects of our city administration, our growing concern about the image Cleveland had nationally and internationally, and the impact of that image on how people might feel about joining our companies or relocating to Cleveland.” Del de Windt, then CEO of Eaton Corporation and one of the most esteemed business leaders commented, *“I preached in my company that business leaders had an obligation to get involved in their community. A healthy, happy community will be far more beneficial to our business than one where there’s all sorts of unhappiness and conflict.”* Business interests and professional as well as personal pride were at stake.

Leadership Leverage

But crises don’t guarantee solutions. Many cities have crises, but no solution follows. Crisis can hasten death or create the opportunity for change. The second query then is: *What converts crisis to constructive change?* The Cleveland experience suggests that pursuing the path of change takes acts of courage and vision by a small number of leaders. They serve as “Community Change Agents” or “social entrepreneurs” who will take risks and forge new paths. A relatively small group of Cleveland business and civic leaders stepped forward after the bankruptcy to move the community in new directions. Among these were the CEOs of the city’s biggest corporations who were clearly recognized as the informal leaders of the local business community. This group of leaders, through “personal selling” was able to convince their colleagues at other major companies of the imperative of action, first to successfully support an alternative candidate to the existing anti-business mayor. But engaging in election politics was only an event, necessary at times, but being a Community Change Agent does not mean episodic quick dips into and out of the political arena, but rather the development of permanent relationships and new ways to work with government and the community. The political, economic, and social crisis provided the urgency to act, and the leaders’ personal commitment elicited the support from others in the business community.

This experience reveals that a small number of key business leaders can make a big difference because of “leadership leverage.” Their positions, credibility, competency, and resources give them mobilizing and convening powers that can ignite a change process. Leaders, by definition, have followers. Other business leaders will follow because of the persuasion or pressure of their informal peer leaders.

Beyond Philanthropy

Given that Cleveland’s corporations and people had a strong tradition of philanthropy, ranking among the top cities in per capita charitable giving, the question became: *What more is needed beyond corporate philanthropy?* The business leaders recognized that simply continuing writing checks to charities was not going to turn Cleveland around. A new activism was required. The complexity and tenacity of the problems afflicting a city require high capability for analyzing problems, delineating strategies, and ensuring implementation. They require an understanding of economic development and the capacity to mobilize and deploy effectively resources. They require entrepreneurial thinking and action. These are precisely the talents of business leaders. Charitable check writing still must continue, but it is the application of these other professional talents that is essential to sustainable community building.

The Cleveland leaders discarded their traditional approach of only responding to requests for donations and assumed a more proactive role in which they would be economic development architects and primary change agents. To design its new activist role, eight of the city's most powerful business leaders formed in 1980 the Cleveland Tomorrow Project Committee. With a major grant from the Gund Foundation, the committee worked closely for a year with a 5 person McKinsey consulting team on a partial pro bono basis to study the community's economic problems, examine other cities' experiences, and formulate solutions.

The Committee's report addressed the region's fundamental, long-term economic problems and delineated specific projects to be undertaken:

Although Cleveland's problems manifest themselves in many ways - governmental issues of stability and solvency, a disastrous city public education system, unemployment and underemployment, social friction and poverty - the Committee focused on jobs and economic vitality. This is because we believe that economic vitality underlies social progress and that the business community possesses the experience, expertise and responsibility to focus on this critical issue.

In effect, the business leaders' new role was based on the premise that they should do what they do best, leveraging their competencies in economic analysis, strategy formulation, and resource mobilization and deployment.

THE ORGANIZATIONAL CHALLENGE

Having delineated an expanded leadership role as Community Change Agents in the economic sphere, the business leaders faced the task of how best to organize themselves to carry out these new functions. The first issue was: *Should this be organized as a set of projects to be implemented or as a permanent organization with on-going undertakings?*

Permanent Organization

Del de Windt explained that *"the idea of making Cleveland Tomorrow a permanent organization was to get the leadership of Cleveland involved to the point where they couldn't ignore the problems. I think you could lay a lot of Cleveland's ills to the fact that many of the fellows who had provided leadership in the 1940s and 1950s were passing out of the picture and people weren't picking up the slack."* Projects can be mounted and successfully executed, but without an on-going organization there is the risk of evaporating interest and lack of follow up. Having a permanent organization recognizes that the business leaders' role as Community Change Agent is also permanent. The development function is not transitory but rather an on-going, integral part of the business leader's responsibility portfolio.

CEO COMPOSITION & ENGAGEMENT

A second organizational issue was: *Who should belong to this Business Leadership Coalition and how can they be effectively engaged?* The organizing committee's decision was that Cleveland Tomorrow would be a CEO-only organization with members being heads of companies with a minimum of \$300 million in sales or with similar influence in the community. Cleveland Tomorrow did not pretend to represent the business community as a whole, but rather, as explained by the organization's first Executive Director, William Seelbach, who was recruited from the original McKinsey team, its purpose was to provide a forum where the major CEOs could *"come together to discuss what they see as the critical issues and try to develop a focused agenda for action."* The original committee members personally recruited 36 CEOs (later expanded to 50). Members' annual dues to this new nonprofit ranged from \$7,000 to \$30,000, based on company revenues.

The importance of the CEO exclusivity was that the members had demonstrated capacity to think strategically and the authority to commit their companies' resources to Cleveland Tomorrow undertakings. But this potential could only be realized if the CEOs could be significantly engaged and invested in Cleveland Tomorrow. Retaining interest and capturing CEOs' increasingly scarce time is a continual challenge. Jim Biggar, then chairman and CEO of Nestle, N.A. and third chairman of Cleveland Tomorrow, spoke of the challenge of leading this group of leaders: *"The real challenge was to earn their confidence that what we were after was good for the total community. It was not something that was good for my company or good for their company. Really, the question was, "What kind of city do we want and what can we do to help it get there."*

This common goal created a shared commitment that enhanced the group's cohesion, but other organizational procedures furthered engagement. First was the rule that a CEO could not send a substitute representative to the board meetings. Substitutions can signal lower importance and nonessentiality, which becomes contagious, eroding the level of leadership engagement.

Second, CEOs' were directly involved in assessing and shaping Cleveland Tomorrow's initiatives. Joe Roman, Cleveland Tomorrow's current executive director, explained the process: *"We don't let anybody get involved in anything on a staff basis until there is a CEO who says, 'I'll take this on for three months. 'If, after three months, it doesn't look as if it's going anywhere, we'll drop it. If we continue, the period of analysis is generally followed by recruitment among CEOs, education among CEOs, more involvement of CEOs, and then creation of a new organization."* This active participation and sense of ownership retained CEO interest. Additionally, as one member put it, *"there was a lot of peer pressure if anyone started slacking off."*

In 1998 only three of Cleveland Tomorrow's current CEO directors were charter members. The original companies remain members and their new CEOs have assumed their predecessors' slots. Thus, the original CEOs have succeeded in institutionalizing

their companies' presence in Cleveland Tomorrow. The organization explicitly works at nurturing its CEO service culture, which fosters a fiduciary obligation of new CEOs to carry on the community stewardship legacy of their predecessors. Contributing to this has been the organization's successes and growing prestige, as well as the staff continuity. There have been only three executive directors during the organization's 15-year history, and each successor served as an associate director for several years before being promoted. But challenges remain. Globalization and downsizing have made CEO's time for community service even scarcer. This forces many to cut back external commitments. In this process of "involvement triaging," CEOs, as impact-seekers, are likely to go where their time and talents can be best leveraged.

Joe Roman elaborated: *"You have to be successful in order for people to continue to participate. That's what keeps a CEO today involved. They know about the culture and say, 'OK, this organization seems to work, so if I have a limited amount of time to put into civic activities, I might as well put it where the track record is very, very good."* And the organization's staff is key to that.

Professional Staff

Cleveland Tomorrow has a staff of five highly competent professionals who support the CEOs with thorough analysis and efficient administration. The goal is that the quality of the staff work would equal that found in the best companies. Unlike many nonprofits where the staff dominates, at Cleveland Tomorrow the emphasis is on support. Morton Mandel, former CEO of Premier Industries and one of the founders of Cleveland Tomorrow, explained the relationship between the staff and the CEOs: *"It has been very clear to our staff that the board sets policy, and sometimes those policies are not what the staff would like. But if the staff really wants to do its job to the maximum, it encourages, helps, and tries to influence, but recognizes that the board sets policy and the staff executes it."*

Executive Director Roman explained, *"The staff functions as an analyst, almost like a McKinsey. Staff's role is really to work behind the scenes with the CEOs, to figure out what's going well, what's going badly, and what needs to be changed."* The staff also follows up with board members who might miss a meeting, *"so that they never feel that they're too far away."*

STRATEGY CONSIDERATIONS

Figuring out what to do and not to do is a critical task for any Business Leadership Coalition. Three elements seem to have been central to Cleveland Tomorrow's strategy formulation: analysis, focus, and evolution.

Analytically-Based

Cleveland Tomorrow's successful actions have been rooted in careful diagnosis of its problems and systematic delineation of solutions, beginning with its conception and initial agenda, which were based on the yearlong McKinsey consulting study. For subsequent initiatives Cleveland Tomorrow continued to tap outside expertise, including

relying heavily on the Center for Regional Economic Issues (REI) at Case Western Reserve University. REI itself was the result of a recommendation from a Rand Corporation study of the Cleveland economy funded by the Cleveland Foundation. Cleveland actively studies other cities' efforts. Even the McKinsey team that carried out the Cleveland Tomorrow feasibility study drew on its experience in conducting the New York City Partnership study.

Community building often flounders because decision makers act on fads, public opinion, or powerful groups' preferences rather than grounding their actions in thorough problem analysis. Effective community-builders value analysis and imbue their efforts with a solution-seeking approach. A problem-solving mindset seeks rather than flees problems because solutions require good problem identification and analysis. This attitude is hard to cultivate because it requires overcoming the tendency to blame and overcoming risk avoidance of experimentation. Problem identification and discussion are seen as healthy rather than as an admission of failure. In Cleveland when major issues arise, instead of simply pointing fingers and making inflammatory statements (although some of this still occurs), the greater tendency is to study it in order to find effective solutions. For example, when the owner of the Cleveland Browns football team announced he was moving his team to Baltimore, the public and private leaders, instead of just bemoaning the loss or screaming, expeditiously examined alternatives, delineated a set of action proposals, and made a highly professional business presentation to the NFL, which resulted in the unprecedented victory by which the city retained the Browns name and the rights to a future NFL franchise. Similar thorough analysis, careful planning, and collaborative public-private presentation enabled Cleveland to beat out other cities, including New York, for the rights to house the Rock and Roll Hall of Fame.

This analytical approach reveals, even more importantly, a mindset that values problem-confrontation and fosters problem solving. Cleveland has begun to go beyond cheerleading about their accomplishments (which they do exceedingly well) to seeing as acceptable and healthy the recognition and active discussion of remaining problems. In effect, one is creating a community learning capability.

Focused

Cleveland Tomorrow had a sharply focused agenda that concentrates on critical bottlenecks to Cleveland's economic revitalization. Bill Seelbach, Cleveland Tomorrow's first executive director, described the approach: "*We said that we were not going to be successful if we tried to do a hundred things. Initially, we had four or five programs that we focused on, to the exclusion of all others.*" These all concentrated on stimulating new business and job creation to develop a new economic base to offset the decline of the traditional industries. For example, one of the first initiatives was the creation of the \$30-million for-profit Primus Venture Capital fund that aimed to accelerate entrepreneurial undertakings lacking access to such funding. Cleveland Tomorrow companies provided a third of the initial investment. Primus has now grown into a \$300 million profitable venture and attracted other venture capitalists to the Cleveland region.

The organization's strategy has focused on capital mobilization and has created other funds to stimulate investments in start-up technology companies, downtown infrastructure, neighborhood housing and commercial real estate, and minority enterprises. Cleveland Tomorrow has also fostered the establishment of management assistance organizations to support new companies, technology centers to stimulate R&D, and an organization aimed at helping management and labor collaborate to enhance quality and productivity.

As Cleveland Tomorrow's initial projects were successfully implemented, the requests for support of new projects from outside organizations multiplied. The temptation was great to take on many worthwhile new initiatives. As one member put it, *"If you allowed it, Cleveland Tomorrow would be tackling every issue that came up in the community. And pretty soon, it's accomplishing nothing."* Retaining focus required considerable discipline: an ability to prioritize and to just say no. Cleveland Tomorrow's criteria were (a) the criticality of the bottleneck, (b) Cleveland Tomorrow's distinctive ability to address it, and (c) the likelihood of success.

One of the important factors that helped Cleveland Tomorrow stay focused was the existence of other community organizations that addressed a variety of the city's other critical needs. Urban revitalization is a multifaceted and complex undertaking requiring a plethora of organizations, and in Cleveland these included, for example, The Greater Cleveland Roundtable that was created slightly before Cleveland Tomorrow with the purpose of achieving greater racial and ethnic harmony and collaboration. Cleveland's Growth Association (Chamber of Commerce) coordinated with Cleveland Tomorrow to have complementary undertakings in the economic development sphere, but the Growth Association also addressed the smaller businesses concerns, whereas Cleveland Tomorrow consisted of the major businesses. "Leadership Cleveland," prepares and motivates new generations of leaders to assume the mantle of community-builders. A multitude of other nonprofit organizations and governmental entities were engaged in social service provision and arts and culture activities. The city's major foundations, e.g., Gund and Cleveland, fostered many activities and new initiatives. Many Cleveland Tomorrow CEOs also sit on the boards of these other civic organizations with other community leaders, but Cleveland Tomorrow as an institution is not involved. Institutional specialization and division of labor in a community clearly enables focused strategies.

Evolutionary

Although Cleveland Tomorrow's strategy was focused, it was not static. It evolved based on experiential lessons. It learned from and built on both its successes and failures. From its initial focus on business development and job generation it migrated incrementally into other areas. Cleveland Tomorrow moved its support selectively into downtown development focusing on drawing people back to the city through entertainment infrastructure, such as the new Gateway sports complex for its professional basketball and baseball teams, a renovated theater district that pumps \$2.20 into other

businesses for every \$1.00 of theater tickets sold⁵, a cleaned-up waterfront with new dining, shopping, and recreation facilities, a world class science museum, and the Rock and Roll Hall of Fame.

Focusing carries the risk of myopia. Cities are systems, so just strengthening one piece will not necessarily correct the whole. Cleveland Tomorrow's efforts recognized and focused on selected critical links. In addition to downtown development, it also concentrated on revitalizing the deteriorating inner-city neighborhoods. Cleveland Tomorrow, corporations, and foundations capitalized at \$50-million the Cleveland Development Partnership, a for-profit funding vehicle for important real estate projects, including low and moderate income, single-family homes in neighborhoods that had been the site of racial riots in 1968, housing renovations, warehouse conversions into upscale apartments, and commercial property. It also helped establish Neighborhood Progress, Inc., a nonprofit entity developing new and renovated affordable housing.

One of the city's problem areas that Cleveland Tomorrow repeatedly resisted entering during its first 15 years was the public school system. A founding members of Cleveland Tomorrow recalled, *"We wrestled with the public education problem and said this isn't something we can afford to get involved with because it was a terrible can of worms."* Although of vital importance, its solution did not have clear beginnings and endings like the infrastructure projects. Cleveland Tomorrow, especially in its early years, needed accomplishments and clear successes. In 1995 the deterioration of the public schools got so bad that the courts put the Cleveland system into receivership and handed control over to the state. In 1996, Cleveland Tomorrow committed itself to helping turn around the school system. A quality educational system was essential to producing a competent work force and to keeping families in the city. Thus, it was consistent with Cleveland Tomorrow's economic development focus. The complexity and structural nature of the problem, however, implied a longer time frame and less clarity on the appropriate courses of action than previous projects. As one Cleveland Tomorrow leader put it, *"This is a qualitatively different engagement and we are less confident about the outcome, but we know we have to do it and that it will be a long-term engagement."* The action agenda is also shaped by community pressures. The city's tax abatements to corporations that helped enable most of the major downtown development projects were seen by many as draining tax revenues away from the schools, so that growing expectations of compensatory assistance from the business community also created pressure to move school reform onto the agenda.

In a sense, tackling the education problem reveals an evolving incremental strategy of taking on ever-more complex and difficult problem areas. Focus and selectivity remain as principles, but the undertakings are of increasing degrees of difficulty. Success breeds confidence and Cleveland Tomorrow keeps raising the high jump bar.

⁵ Annmarie L. Geddes, "Trailblazing Playhouse Square Cleans Up Its District," Small Business News:Business Dateline, Vol. 6, No. 8, Sec. 1, p.20

IMPLEMENTATION APPROACHES

Cleveland Tomorrow had many possible approaches to carrying out its strategy. One of the founders described the chosen path: *“Cleveland Tomorrow sees itself as a catalyst, a facilitator, and a definer of issues, but not as a deliverer of service.”*

Catalyst

Cleveland Tomorrow was an instigator and enabler of action rather than an operating organization. As its original founding document stated, the organization *“would not become directly involved in program management, nor would it duplicate the roles and responsibilities of existing organizations. Rather, it would serve as a catalyst and long-range planner, and through such efforts would assist [other] entities.”* David Hoag, Chairman and CEO of LTV Steel and 1996 Chairman of Cleveland Tomorrow, explained, *“We never solve a problem ourselves. We support, we convene, we initiate. But we are not the out front group. We start a group and fund it for a period of time, and when they are moderately successful, they fly on their own.”* This meant that Cleveland Tomorrow worked in partnership with other nonprofits and for-profit organizations as well as the government. To demonstrate its seriousness and to offset some of the normal risk averseness of public officials, Cleveland Tomorrow often was prepared to write the first check for a proposed undertaking, for example, Cleveland Tomorrow companies provided a \$20 million up front investment for the Gateway sports complex to demonstrate private sector backing and help attract other private and public money. The catalytic role aimed to mobilize others’ capital by leveraging Cleveland Tomorrow’s money, contacts, and influence.

This strategic decision to be a creator of institutions and catalyst for initiatives rather than an operator of programs allows Cleveland Tomorrow to leverage and recycle its resources. It is an action-oriented, incubator function. Primus Capital exemplifies this according to Cleveland Tomorrow Executive Director Joe Roman, *“Primus has achieved every marker that venture capital funds are supposed to, it has proved you can make money in the Midwest, and it has attracted other venture capitalists. And, Cleveland Tomorrow has to do absolutely nothing to help it now. It is completely independent of us. That, to me, is the ultimate success story.”* Richard Shatten, Cleveland Tomorrow’s second executive director, pointed out the human resource impact of creating separate institutions: *“To get the venture capital fund off the ground, we decided to bring a venture capitalist on board. Well, if we had hired that person to work for me, we wouldn’t have been able to pay him what he needed. But, by setting it up so that he worked next to me, we could meet his salary needs. We were able to bring the entire human resource system up several levels in this way.”*

Continuing Linkages

Although the goal of Cleveland Tomorrow is to create independent, self-sustaining operating entities that will deliver the necessary services, Cleveland Tomorrow usually assists the new organization during its start up years until it is functioning well and has reasonable financial stability. While the funding link disappears over time, Cleveland Tomorrow remains involved with its offspring through the presence on their

boards of directors of Cleveland Tomorrow members. Thus, there is on-going support and oversight through the governance function.

These interlocking board relationships among Cleveland Tomorrow spin-offs and even among other civic organizations on which the CEOs sit have created a “knowledge web.” The CEOs are knowledgeable about the capabilities and needs of different organizations throughout the community, which facilitates lateral learning and coordinated and complementary actions through a relationship network.

Public-Private Partnership

Cities can't be rescued without business, but business can't do it alone. Business, government, and civic organizations must join together to bring about effective community building. The multi-dimensional complexity of urban problems and development are too great, varied, and intersectoral to be handled by only one group. Resources and commitment must be mobilized from all fronts so that the synergies available from combining the comparative institutional competencies can be captured. Joe Roman, Cleveland Tomorrow's current Executive Director, commented: *“Cleveland Tomorrow is made up of a bunch of CEOs who cannot get anything done by themselves. This is a town that no longer has one or two companies that are so dominant that a single businessperson can wave his or her wand and cause something to happen. To be effective, they have to build consensus.”* Robert Gillespie, Chairman and CEO of KeyCorp, echoed the assertion: *“We think that public-private partnership is the answer. I don't know of any of my peers who think any of this could have been done by the business community alone. If you don't have that kind of partnership, you shouldn't bother trying, because it simply can't be done.”*

Public officials also recognized the collaboration imperative. Jay Westbrook, current City Council President, pointed out how the public sector leaders learned to build partnerships across sectors: *“We've seen a huge escalation in the demands on and expectations of the office. Most of us realize that very little of what we can do lies in legislation. There are very few laws that you can pass at a municipal level to hold families together, get people jobs, or maintain a quality of life in the neighborhoods. That has really compelled us to develop alliances and build bridges with other organizations.”*

But collaboration is not easy. We know from business experiences that creating and operating alliances are complicated tasks. Cross-sectoral collaboration is even more difficult, as has been pointed out in the considerable scholarly research. The recognition of interdependence, as expressed by the aforementioned Cleveland leaders, has been identified by researchers as a critical starting point.⁶ There are many barriers: suspicion, historical antagonism, stereotyping, relationship risk-averseness, and time requirements. Cleveland has developed an effective Public-Private Partnership (PPP). Effectiveness in cross-sectoral alliances in Cleveland appeared to require work on five “intangibles:” respect creation, trust development, communication complexities, decision-making

⁶ See, in particular, Barbara Gray's seminal work: *Collaborating: Finding Common Ground for Multiparty Problems*, San Francisco: Jossey-Bass, 1989

dynamics, and relationship-building, elements also cited as important in other collaboration settings.⁷

Respect creation: The first essential ingredient is mutual respect among the business people, the public officials, and the nonprofits' personnel. This requires attitudinal adjustment, eradicating stereotypes, and the capacity to empathize. For example, Richard Shatten, Cleveland Tomorrow's second executive director, described his attitudinal evolution: "*My original mind-set was that local government is inherently weak, or if not weak, weakly staffed and something to be dealt with in tax planning and minimized. It was never to be respected as a legitimate partner for good in the world. {But} my chairman had said consistently, 'You must work with,' so I consciously changed my style. I worked with government officials and learned that there was plenty to respect in those people.*" Respect requires the capacity to develop an understanding of the other's perspective and empathy for their situation.

Herb Strawbridge, the former CEO of one of the major department stores, commented on the similar effect of the interaction of business and nonprofit people as they began communicating and working together: "*The businesspeople had always thought of the nonprofit people as those who couldn't get a job in business. All of a sudden, they find that they are really bright and extremely capable. And the nonprofit people, who have always thought that those businessmen must be robbing everybody to death, who all of a sudden say, 'This guy isn't that bad at all.'*" Stereotypes are eradicated and new relationships fused.

Trust development: Respect is a necessary but insufficient step in building an effective PPP. Trust is developed among the partners over time through concrete deeds and tangible activities rather than just words. Two examples illustrate this well.

In 1979 when George Voinovitch, then the state's Lieutenant Governor, agreed to the request from the Cleveland Tomorrow founders to run for mayor, he elicited a promise from the business leaders that they would help him revamp city administration. After his election he called in this chit. The business community responded by raising about \$1-million for the mayor's Operations Improvement Task Force and providing over a hundred loaned executives to work with public sector counterparts on everything from purchasing to vehicle maintenance to information systems. Their recommendations

⁷ See Thomas G. Cummings, "Transorganizational Development," *Research in Organizational Behavior*, 1984, vol. 6, pp.367-422; Barbara Gray and Donna J. Wood, "Collaborative Alliances: Moving from Practice to Theory," *Journal of Applied Behavioral Science*, Vol. 27, No. 1, March 1991, pp.3-22; Michelle Sinclair and Joseph Galaskiewicz, "Corporate-Nonprofit Partnerships: An Evolutionary Model of Partnership Organizations," *Administration & Society*, vol. 21, No. 1, May 1989, 78-100; Sandra A. Waddock, "Catalytic Alliances for Social Problem-Solving," *Human Relations*, Vol. 48, No. 8, 1995 and "Building Successful Social Partnerships," *Sloan Management Review*, 1988 Summer, 29 (4): 17-23; Donna J. Wood and Barbara Gray, "Toward a Comprehensive Theory of Collaboration," *Journal of Applied Behavioral Science*, Vol. 27, No.2, June 1991, 139-162; George E. Peterson and Dana R. Sundblad, "Corporations as Partners in Strengthening Urban Communities," The Conference Board, Report Number 1079-99-RR, 1994; Fritz W. Wagner, Timothy E. Joder, Anthony J. Mumphrey, Jr., *Urban Revitalization*, Thousand Oaks, CA: Sage, 1995

modernized city administration and saved over \$40 million annually. This initial practical act of collaboration launched the construction of a productive partnership for the common good during Mayor Voinovitch's ensuing three terms. Voinovitch, now governor of Ohio, explained his basic approach: "*My philosophy of government is that you empower people to help themselves. Everyone understood that they were participants. Everyone was at the table trying to solve the city's problems.*"⁸

In 1989 Michael White, an African-American Democrat, was elected mayor without the support of any major business group. With this change in political leadership, the continuity of the PPP was uncertain. Mayor White stepped forward early to demonstrate his support of the business community by taking the politically risky move of backing a tax levy to fund the development of a downtown sports complex. When the mayor later launched a neighborhood revitalization initiative, the banks and business community responded by committing to invest \$1.8 billion. The resultant below market mortgage interest rates combined with the city's selling razed lots to new homeowners for \$100 and giving them property tax abatements have created a process, in the words of Mayor White, of "*literally reknitting the fabric of inner-city communities one house at a time.*"⁹ Acts of real reciprocity foster trust development.

The difficulties that Cleveland has had in strengthening its public education system are in part traceable to the inability of the multiple involved parties to achieve the necessary respect and trust to bring about the level of sustained and constructive collaboration needed to make a significant impact in this area. The current efforts underway by the multiple sectors, including Cleveland Tomorrow, to bring about improvements in the educational system are encouraging, but the magnitude of the task and the longer term nature of the change process will truly test the capacity of Cleveland's public-private partnership.

Communication complexities: Good communication is essential to developing a good working relationship, but this is complicated in the PPP world because there are "foreign languages," different audiences, and multiple channels. Understanding and navigating these waters are essential tasks. There must be ready access and frequent interaction. The communication channels need to be open and used. Silence breeds suspicion and misunderstanding. Communication must be two-way so that interchange occurs rather than dictates or pleas. Mayor Voinovich had regular, breakfast meetings with the business leaders, but informal channels are often more important than formal ones. For example, one Cleveland businessperson recounted that a city councilor informed him that in a forthcoming press conference he was going to attack vigorously the business community on a particular issue because that was politically necessary, but not to worry because he was quite willing to work out an amenable solution later. On-camera stances do not preclude off-camera negotiations. Also facilitating cross-sector communication between the business community and the civic organizations was the fact

⁸ Presentation to The Urban Land Institute conference, Cleveland, April 1996

⁹ Robyn Meredith, "Demand for Single-Family Homes Helps Fuel Inner-city Resurgence," New York Times, July 5, 1997

that many business people were members of nonprofit boards. This networking created important communication conduits.

The business, civic, and city government leaders have been quite effective in joining together to communicate with a unified voice their city's case for state and federal funding of most of their major infrastructural projects. Competition among cities for these funds is intense, and Cleveland's relatively high success rate in obtaining such public financing is another manifestation of the effectiveness of their public-private coalition. The lobbying power of Cleveland Tomorrow's CEO's has been instrumental in this.

Decision-making Dynamics: The decision process in leadership coalitions is challenging. Robert Gillespie, Chairman and CEO of Keycorp, described the difficulty: *"One problem when you put together a leadership coalition of people who run Fortune 500 companies and people who have been elected to important political offices is their tendency to think they all know the right answer. Getting high profile people to join up without necessarily being in charge is something of a trick."* Furthermore, the way that decisions are taken in the PPP often are quite different than in the business setting, and this can be quite frustrating for a business leader unless one is prepared for it. The differences encompass: inclusiveness - many more actors have to be included in the process to ensure buy in and avoid political whiplash from groups feeling excluded; distinctive styles - politicians and nonprofit leaders may approach decision-making quite differently than business people, often seeking longer and broader discussion that takes more time than is customary for a business person; mediating consensus - there is not a clear decision maker hierarchy which would permit unilateral decisions, so consensus must be derived through a give and take process which is time-consuming and emotionally demanding; creative tension - while the differences among the partners complicates the process, it also holds the potential to produce superior decisions by capturing different perspectives and generating creative solutions that would not have arisen otherwise; shared power and credit - collective ownership requires spreading the authority and the praise among the decision-makers; George Voinovitch's ability to do this with George Forbes, the former City Council President, created a powerful alliance rather than competition for power.

Relationship building: One of the barriers to community engagement by busy executives is the perceived and real time requirement. It is natural to see these dealings with other community officials as "transaction costs," which in the business world we generally try to avoid or minimize. For PPP development it is preferable to use a different business analogy. The PPP should be viewed as a relationship business and the time put into interacting with the other actors should be seen as "investments" in developing the personal and professional ties that enable an effective partnership. Relationships are a primary asset in a community's social capital and central to effective management of the other intangibles.

INSTITUTIONALIZING THE COMMUNITY-BUILDING PROCESS

Bursts of civic enthusiasm occur in most cities, often spearheaded by business leaders, and these may result in a successful project. Too often, however, they fade away and fail to trigger an on-going community-building process. There is no take-off, no sustainability. So the final question business and other community leaders face is: *How can they institutionalize the community-building process?*

Institutionalization occurs through the emergence of new community norms and behavior. Cleveland Tomorrow and the community more generally has created the common expectation that all CEOs and other community leaders will be significantly engaged in community service; it is part of the leadership ethic. This is fueled by pride in and commitment to the betterment of their community. For example, being selected to participate in “Leadership Cleveland” is a coveted honor. In one sense it is part of the community’s rites of passage into the top leadership echelons. The expectation is that leaders will serve. Peer presumption and even pressure reinforce these norms. Newcomers to the community are quickly recruited and oriented into the local service culture. The price of acceptance is participation.

Another norm is collaboration: people and organizations are expected to work together within and across sectors. The public-private-partnership is the operative form of choice. Cooperation rather than conflict is deemed to be the superior route to resolution of differences. All is not harmonious. Battles occur, but the norm is to find ways to work together to solve the problems. A new executive director of one nonprofit commented on the power of the norm: *“My natural inclination was turf. I was going to beat this organization and undermine that one, but within a year I was also part of the changing culture in the community. I started mouthing that behavior, and when people started acting with turf lines, we intervened because it was not allowed. Within the private sector, before we even get to government, just our own club, we were not allowed to fight.”* Constructive interaction replaced adversarial relationships.

In the political arena, Cleveland has passed the continuity and collaboration tests. George Voinovich was the republican mayor for ten years, and the 1989 transition to the democratic Mayor White was a delicate transition point. The demonstrated effectiveness of the public-private partnership perhaps prompted White to look beyond this lack of support and foster continued collaboration. He recounted that moment: *“I was a long-shot to win the mayoral election. The day after I won, I called the head of the Greater Cleveland Growth Association and said, ‘I know you didn’t support me, and I know that not one major businessperson in this city supported me. But you’re the only head of the chamber of commerce that I’m going to get, and I’m the only mayor you’re going to get for four years, so we’d better find a way to work together.’”* They did, the partnership continued, and Mayor White was reelected in 1993 with an unprecedented 86% of the vote.

There is no doubt that without strong and enlightened leadership from the business, political, and civic sectors communities will not progress. Therein also lies one

of the fragility factors in the change process. It can become so dependent on a small number of individuals that their disappearance deflates the wheel of progress. To confront this problem the community created Leadership Cleveland. About 60 upcoming community leaders from all the sectors are carefully selected annually to participate in a yearlong enrichment program aimed at deepening their understanding of and commitment to critical issues facing the city and region. This educational experience increases their capabilities for effective community service and creates a new network of cross-sectoral professional relationships and personal friendships, thereby reinforcing the PPP. Margot Copeland, the current executive director of Leadership Cleveland, highlighted the centrality of these leadership efforts: *“The story of Cleveland’s turnaround is clearly not the Rock & Roll Hall of Fame or Jacob’s field. The story is how we cultivate the ground for leaders from different points of view to sit down and talk together, listen to each other, share information, and then agree on a common purpose.”*

The sheer magnitude of the problems confronting cities can be depressingly overwhelming and create a sense of futility. To counter this one must recognize that community building is a long journey. Your horizons must be distant, but it is important to acknowledge progress and celebrate small victories along the way. Such recognition builds confidence in a community’s capacity to shape its future and determine its destiny. In Cleveland each new accomplishment expanded the community’s self-belief and moved their aspirational frontiers outward. Projects of the magnitude of the Gateway sports complex would have been unthinkable ten years earlier, but its realization made the costly and complex task of fighting to keep its football team franchise and developing a new football stadium appear quite doable. What has emerged is an indomitable “Can-Do” attitude. The community is now even tackling the tenacious and seemingly unsolvable problems of the city’s public education system, the *bete noir* of almost all major cities. In 1996 Cleveland voters approved for the first time since 1983 a tax levy to support the public schools. This positivist perspective is a prerequisite to constructive change.

A final key attitude relates to the culture’s perspective on the future. A community cannot institutionalize a rebuilding process unless it is continually willing to confront the next layer of challenges. Success breeds complacency, which leads to stagnation. As Mayor White put it, *“We can’t just read our own good press and rest on our laurels. Our work will not be complete until every citizen of Cleveland can be assured of a safe neighborhood...a secure future...a solid education...a well-paying job...and access to quality health care. Our community has come a mighty long way, but we still have a long way to go.”* Future progress requires the capacity to look realistically at past progress. Morton Mandel demonstrated this: *“Cleveland still has very serious problems: shrinking tax base, race relations. We have all the problems of urban America. We have very substantial social dysfunction...Cleveland is not Disneyland...Cleveland is not a happy state where everything is great.”*

Robert Gillespie of Keycorp put the risk and challenge this way: *“I think the great danger in all institutions is that one functions in cycles, that there is a growth phase...a plateauing phase...and the inevitable decline [which] is always present when you are comfortable with a plateau. So the need...is to never relax, to never let off, to never take*

more than an evening to celebrate the achievement before you're planning the next morning's meeting. So much needs to be done that the risk is when things go well, you think you can sit back, relax, and declare victory. All you can do is recognize that something's been achieved, and a great deal needs to be achieved. So my admonition is to never...rest on someone else's laurels. The job is big enough to keep the same level of intensity for as long into the future as any of us can see."

Forward momentum is propelled by vision. Cleveland's political, business, and community leaders began in December 1996 a process of updating the city's 1991 Civic Vision 2000 master plan and extending it into the next century. This study is funded by the Cleveland and Gund foundations, Cleveland Tomorrow, and the Greater Cleveland Growth Association, with several other public, civic, and corporate organizations donating staff to the project and working closely with the Mayor's office. The highly participatory process involves carefully reviewing what has become an overload of projects and selecting those with the greatest developmental leverage. Creating focus and making trade-offs are critical leadership tasks. How the visioning process has been carried out has been as important as its content. As one leader observed, *"Every prior master plan was brilliant but never implemented because it was never owned."*

An important companion to vision creation is accountability acceptance: saying what you are going to do and accepting the responsibility for accomplishing it. Perhaps a manifestation of this element of the Cleveland culture is the existence of a prominently displayed downtown electronic billboard flashing the city's mission statement and commitment to the people for its attainment: ***"We are committed to improving the quality of life in the city of Cleveland by strengthening our neighborhoods, delivering superior services, embracing the diversity of our citizens, and making Cleveland a desirable, safe city in which to live, work, raise a family, shop, study, play, and grow old."***

Meeting the future challenges facing cities will require continued acts of leadership, a willingness to engage in order to make a difference. That requires a special vision of business people's roles, which involves, in the words of Morton Mandel, one of the founders of Cleveland Tomorrow, *"the notion that part of their responsibility as a citizen and as a leader is to mix it up in the community, and seek to find ways to make their community a better place to live and raise their families. And that it's an obligation and a responsibility of living in a free society. It's not an option. It's a requirement."*

Business leaders can and do make a difference in building communities. The pressing problems confronting our cities call for concerted and new leadership efforts. The Cleveland turnaround is a meaningful example of what can be accomplished. Every city is unique but there are commonalities that are applicable. For business people to fulfill their full potential as societal leaders they must assume the mantle of Community Change Agents.

Box 1: CLEVELAND TURNAROUND PROGRESS INDICATORS

Downtown Development: Between 1990 and 1994 there were 59 million square feet of new construction valued at \$9.2 billion in greater Cleveland, with a third of that downtown, giving it the 10th highest construction rate among the nation's 52 main cities¹⁰: two glass-topped malls with 160 specialty shops and restaurants, helping reverse the decline in retail sales; new hotels increasing downtown capacity to 2,500 rooms; new office towers, including the tallest building between New York and Chicago; a new science museum with the world's largest Omnimax projection system; a renovated theater district, creating the nation's third largest performing arts center; the \$450 million Gateway sports complex with Jacobs Field for Cleveland's pennant-winning baseball team and the multipurpose Gund Arena; and a \$2.7 billion investment between 1987 and 1996 in public roads and bridges, transit, water, and sewer infrastructure. The physical face and vitality of Cleveland's downtown have been recreated.

Neighborhood Revitalization. Cleveland mobilized another \$1.2 billion for investment in city neighborhoods, believed to be a national record. Progress is being made on reaching the goal of 10,000 new housing units in the city by 2000. Its central city housing is now among the least overcrowded in the country and its public housing is being radically and innovatively restructured. Several new apartment complexes have been developed downtown, some in renovated historic buildings in the warehouse district and others near the bustling Flats riverfront entertainment district. In the Hough area, sight of raging riots in the 1960s, abandoned houses have been razed and replaced by large, custom-built homes that are attracting professionals back into the inner-city neighborhoods. Five neighborhood shopping centers have been developed.

Economic Rejuvenation. Manufacturing jobs have stabilized at around 20% of all employment, near the U.S. average, with Cleveland gaining share of U.S. manufacturing in electronic components, medical instruments and supplies, plastics, and industrial machinery among others. The Cleveland metropolitan area exported in 1994 \$4.1 billion in commodities and manufactured products, accounting for over 20% of the state's exports and employing 72,000 Cleveland area workers.¹¹ Unemployment rates have been reduced 45%. The population exodus from the city has subsided. Similarly, the exit of Fortune 500 company headquarters has been reversed, increasing 50% since 1986. New business formation in the county tripled between 1991 and 1994, reaching the highest level in 25 years. Cleveland was designated in 1994 as one of the country's eight Economic Empowerment Zones. Seven new industrial parks are under development creating new jobs and bringing companies back into the city from the suburbs.

¹⁰ The Greater Cleveland Growth Association Research Department, "Greater Cleveland Major Development Projects 1990-94;" all data ranking Cleveland relative to other cities comes from "The State of the Nation's Cities" data base compiled by Rutgers University's Center for Urban Policy Research primarily from U.S. Department of Commerce data sources

¹¹ Center for Regional Economic Issues, "REI's Summary Profile of the Northeast Ohio Economy," February 1997

Quality of Life. Crime was down 16% since 1990 and among the lowest of major cities. Cleveland's air quality improved by 57% between 1991 and 1995 and was judged by the EPA to be better than most other large urban areas. Cost of living, particularly for housing, is significantly lower than other major cities. Its arts and cultural institutions are deemed world class. Airline passenger volume has doubled since 1970, reaching one billion per year.¹² The city is becoming a tourist destination, with visitors increasing 24% between 1993 and 1995 and generating a \$3.9 billion impact in 1996.¹³ The Rock and Roll Hall of Fame opened on the shore of Lake Erie in 1995 and received 1.4 million visitors, 62% from outside of Cleveland and 12% from abroad.¹⁴ The Flats waterfront entertainment area has become the second biggest tourist attraction in the state, generating over \$100 million in revenues.¹⁵ From being a place to escape from, Cleveland is now ranked as the 14th best place to live in out of 343 metropolitan areas in North America according to Places Rated Almanac.

Image. In the 1970s Cleveland's image in the eyes of the rest of the nation was clearly negative. In the nightly national news stories mentioning Cleveland during 1977-79 there were 121 pointing out negative aspects (fiscal crisis, economic decline, political turmoil, social unrest, crime, educational strife and deterioration) and only 8 highlighting positive elements. In contrast, the news stories in 1994 and 1995 were overwhelmingly (82%) positive.¹⁶ The "mistake on the lake" had become the "comeback city."

¹² City of Cleveland, Department of Port Control

¹³ "Travel and Tourism Economic Impact Study" by Marketvision, State of Ohio Department of Development, Division of Travel and Tourism, 1997

¹⁴ Jon Pareles, "Hail! Hail! Vintage Rock: Cleveland, Tie-Dyed, As Woodstock Nation," New York Times, May 6, 1997

¹⁵ Flats Oxbow Association, "Flats Profile," 1997

¹⁶ Derived from Vanderbilt News Archives