

▶ Inner City Economic Forum in Action

Growing Businesses in the Inner City: Building Capacity and Creating Impact

2010 UPDATE REPORT



ICIC

Initiative for a Competitive Inner City



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Cover: Audrey Goins Brichi, Chevron Services Company; Bill Cooper, University of Virginia; Dr. Anthony Stallion, Cleveland Clinic; and Lee Lambert, Zycron, participate in the Summit's discussion about the importance of procurement and supplier diversity programs.

Director Adolfo Carrion, White House Office of Urban Affairs, explains the Obama administration's economic development priorities.

Executive Summary: Growing Businesses, Growing Inner City Economies

Business growth is a core driver of urban economic development. Understanding what firms need to grow and thrive in urban communities will ultimately help drive the success of those inner city economies. There are critical tools, levers and action steps that help inner city businesses grow, employ more inner city residents and contribute to the success of the overall urban economy.

Discussions held at the Inner City Economic Forum Summit 2009 in Washington, D.C., revolved around the Forum theme: Growing Businesses in the Inner City: Building Capacity and Creating Impact. This report continues to examine the factors that arose at the Forum and highlights concrete actions, programs and initiatives that are enhancing the growth of inner city businesses.

Key takeaways:

- **Building businesses of size and scale:** For businesses operating in urban economies, as well as policy makers and practitioners interested in spurring economic growth, the characteristics of the Inner City 100 (the fastest-growing urban firms) and the factors influencing their growth provide insight into how to grow stronger inner city businesses.
- **Leveraging financial resources for urban businesses:** Innovative solutions such as new financial models, products and initiatives are needed to address the capital access challenges of inner city enterprises.
- **Fostering leadership for growth:** Passionate and engaged leaders who are focused on the strategic future of the business and cultivating an environment of trust and loyalty among their employees are critical to developing thriving businesses.

- **Greening the inner city economy:** New clean energy technologies will create a wide range of jobs throughout all sectors of the inner city economy with increased investment; however, the tools needed to identify local competitive advantages are still very much in development.
- **Creating revenue opportunities with procurement practices:** Inner city businesses can use government contracts and strong supplier-diversity relations with institutions such as universities and hospitals to fuel their growth.
- **Developing job creation for U.S. small businesses:** The U.S. Small Business Administration is working to improve opportunities to reduce constraints facing small businesses in this current economy by reengineering procurement programs such as the HUBZone and 8A programs.
- **Ensuring a business-friendly environment for growth:** Business elements influenced by local governments, such as regulations, taxes and incentive programs, as well as the ability to navigate the maze of available resources, impact a firm's ability and potential for growth and expansion.



Audrey Goins Brichi, Chevron Corporation, proposes a question to professor Porter about his presentation.

Jean Horstman, Inner City Entrepreneurs, and John Moon, Federal Reserve Board, discuss the opening summit session.

Building Businesses of Size and Scale

“ You cannot have a successful economy without successful, growing firms. ”

MICHAEL E. PORTER, ICIC CHAIRMAN AND FOUNDER



Harvard Business School Professor Michael Porter, ICIC chairman and founder, presents the findings and implications from 10 years of Inner City 100 research.

Understanding how to build and grow successful inner city firms is one of the most important components to developing a successful inner city economy. The ICIC research, “*Growing Successful Inner City Businesses: Findings from a Decade of ICIC Data*,” focuses on the characteristics and key factors facing the 557 companies who have made the Inner City 100 list over the past decade.

These fast-growing companies are located in inner cities across the U.S. and are healthy, vital and successful firms that can compete with top national corporations. In particular, these firms have achieved some scale and longevity, are more diverse and educated, create jobs in challenging environments, and have a substantial impact on their communities.

The constraints and opportunities that highly successful firms located in inner city neighborhoods face can provide important insights into what works for inner city business growth. The following are key findings:

- **Limited access to capital and a heavier reliance on debt** for growth have impeded Inner City 100 firms from achieving the same scale and growth as comparable U.S. firms.
- **Public programs matter for firm growth but have varying success and uptake.** SBA loan products are heavily used by successful inner city firms, especially firms with more than 25 employees.

- Inner City 100 firms have **used government contracts to scale their businesses**, as well as achieving higher revenues and productivity from a more geographically diverse customer base.
- Inner City 100 firms are **twice as likely to hire local inner city residents, more likely to provide employee benefits, and spend more on employee training**, generating lower turnover and higher productivity.

The factors influencing successful inner city firms provide important insights for other businesses seeking to grow and create jobs in urban economies as well as policy makers and practitioners interested in spurring economic growth. Thriving inner city firms provide lessons to help an expanding number of similar establishments succeed in America’s disadvantaged communities, including:

- **Address capital markets** to improve access for inner city firms, including government-backed financing through the Small Business Administration (SBA) and private capital in any form.
- **Expand government contracting opportunities** to reach more companies and focus specifically on place-based strategies.
- **Strengthen partnerships with anchor institutions** such as healthcare organizations or universities to generate new revenue opportunities for inner city firms.
- **Improve information flow** about opportunities in inner city economies and programs for inner city firms to encourage engagement and support successful business growth.

This research has influenced the following projects and initiatives:

- **Goldman Sachs** is launching “10,000 Small Businesses,” a \$500 million program providing businesses in underserved areas access to business education, mentors and networks. The program includes a \$300 million investment commitment by Goldman Sachs through Community Development Financial Institution (CDFI) firms.
- **U.S. Small Business Administration** has renewed and expanded the Emerging 200 (E200) program, which provides business development resources to firms in distressed communities in 10 U.S. cities.
- **White House executives** are seeking to better understand inner city economies and develop policy strategies that will benefit inner city firms. These federal leaders will be using what they learn about cluster development and capital access policy for the inner city to influence program and policy design in agencies such as the U.S. Department of Commerce’s Economic Development Administration.
- **The Cleveland Clinic** is applying the lessons of the 2001 ICIC/CEOs for Cities study, “Leveraging Colleges and Universities for Urban Economic Revitalization,” to expand local procurement and spur job creation.
- **ICIC** continues to collect additional data on inner city firms to further analyze inner city business development and job creation, including a focus on firm profitability and green job opportunities.

Keeping the Engine of Small Business Humming

By Nancy Urbschat, TSM Design

In 1982, as an MBA student at The Ohio State University, I read Dr. Michael Porter’s book *Competitive Strategies*. Fast-forward to the mid-1990s when I attended Porter’s presentation in Springfield, Massachusetts, about the importance and competitive advantages of the inner city. Within a year of the presentation, my former business partner and I moved TSM Design to the heart of downtown on Bridge Street where the company remains today.

As a small business owner, my participation in the Inner City Economic Forum has been personally affirming to me. Intuitively, I knew we made the right decision 14 years ago to move the business out of the suburbs and into the center of the city for more visibility and access to our customer base. But, the Forum confirmed my decision by exposing me to compelling data and narratives about the assets of the inner city.

I have also learned more about what other cities and major corporations are doing to increase the opportunities for small businesses in their local communities. There are large corporations and institutions such as Blue Cross Blue Shield and the University of Virginia that both walk the walk as well as talk the economic-development talk; these companies make a point of doing business with local small businesses.

Armed with verifiable facts, I now feel emboldened to advocate for a more vibrant small business environment in my own city. For instance, I recently submitted an op-ed piece to a regional business publication that cited ICIC’s 10-year study of the fastest-growing inner city businesses. Many of the attributes of these small businesses resonated with me. I, too, pay competitive salaries and offer a generous

benefits package, including 100 percent of my employees’ health insurance. I, too, regularly give back to my community in the form of board service, pro bono work and financial support.

In addition to my op-ed, I am now meeting with major companies locally and telling them about their corporate counterparts in other cities who are helping to scale-up capable small business partners. Or, to bolster my case, I quote the University of Virginia purchasing executive who oversees the spending of one-third of the university’s goods and services budget in its home zip code. I have even started asking these large employers to take a look at their own procurement policies. What percentage of purchases are local and/or from capable small business partners? The results are not in yet but, if I were a betting woman, I would say there are ample growth opportunities for small businesses like mine.

Nancy Urbschat owns TSM Design, a marketing communications firm located in Springfield, Massachusetts.



Leveraging Financial Resources for Urban Businesses

In this challenging economic climate, small business owners are saying, “Show me the money.” For inner city firms, who are more likely to be minority- or women-owned, barriers to capital are not a new challenge. The “credit crunch” just makes it that much harder to locate appropriate financing to fuel growth. In this environment, when existing models are insufficient, it is up to innovative financial institutions to create new models and new products that will improve small businesses’ access to financing and ensure that these firms are prepared for the growth such capital should entail.

— By Tim Ferguson, Next Street

Access to capital is one of the most frequently cited barriers to growth for inner city businesses. These firms often begin operations with 44 percent less start-up capital than average U.S. firms and receive 31 percent less growth capital as their businesses expand. Given the economic climate, many urban businesses with revenue sizes between one and 100 million dollars are at a unique juncture in the financing market. They often need capital to reach the next stage of growth, but they are either not well-situated for all financial products or the business owner is skeptical of equity products as they do not want to give up control.

At Next Street, we work with entrepreneurs to challenge their assumptions about their operations and address their future financial needs. We believe we can have the greatest impact on small businesses by providing Fortune 500 caliber business advice combined with access to capital. New corporate initiatives, such as Goldman Sachs’ 10,000 Small Businesses Initiative, are taking a different approach to ensuring education and capital access are delivered together. Recently, Goldman Sachs made a \$500 million commitment to provide education and capital access to underserved areas through community colleges and community development financial institutions.

In addition, over the past six months, capital access for smaller businesses has come to the forefront of policy agendas both at the federal and state levels as the recession continues and unemployment levels rise.

In response, the Obama administration has recommended a number of new policy changes that seek to impact small businesses, including the easing of SBA loan size limits using TARP funds. In Massachusetts, Governor Patrick announced his intention to introduce a bill that will establish a statewide small business growth capital fund and merge several economic development agencies to ensure a more coordinated response to the needs of small businesses in the commonwealth.

This is all welcome news but the need still remains for new investment funds – such as those proposed by Inner City Advisors (Oakland) and Jump Start (Cleveland), as well as my firm Next Street (Boston) – that have a specific focus on inner city small businesses with the highest needs. From our perspective, these innovative solutions may be the best routes to address the credit crisis and begin to reengage the wheels of the economy.

Tim Ferguson is the founder, chair and managing partner of Next Street.



Tim Ferguson, Next Street, discusses new financing models as part of a panel addressing capital access.



FORUM IN ACTION:

**JumpStart and
Inner City Advisors**

■ **The Emerging Markets Venture Fund**, the investment fund conceived and launched by the Cleveland-based non-profit JumpStart, is continuing to seek investments by approaching local and regional banks and corporations that are connected with the JumpStart organization. They have raised \$7 million so far and will begin investing when the fund reaches \$10 million.

■ **Inner City Advisors (ICA)** will soon be launching a brand-new hybrid fund targeting inner city firms in the spring/summer of 2010. Over the past few months, this \$25 million fund has been building its investor base and developing a portfolio of investment-ready companies to be unveiled at the launch date.

Talan Products, an Inner City 100 winner from Cleveland, is a leading metal stamping company, providing expertise in the fabrication of aluminum extrusions.

Fostering Leadership for Growth: Learning from Success

In ICIC's recent analysis of inner city firms, it was evident that the CEOs of the fast-growing Inner City 100 firms had an "X-factor" that helped lead them on the path to success. Not only are these CEOs more likely to hire from the local community, they are also likely to invest in their workforce with training and generate greater loyalty – and productivity – from their employees. Much can be learned just by listening to the stories and the management lessons from successful CEOs.

— By Jill Johnson, Institute for Entrepreneurial Leadership

I work with entrepreneurs at all stages, and it is interesting to understand the motivation and factors that lead someone to start a business. Successful entrepreneurs have three core characteristics that set them apart from those whose businesses do not succeed: 1) a passion for building their enterprises; 2) the ability to strategize for future growth; and 3) an understanding about the importance of assembling a strong team.

To better gauge the importance of these critical leadership qualities, I spoke with Sundra Ryce, president and CEO of SLR Contracting & Service Company, a general construction company headquartered in Buffalo, New York, and David Dafoe, founder and technical director of Pro-Liquitech International, a custom product development and ingredient supply company for the beverage industry, located in Louisville, Kentucky. Both Sundra and David are leaders of thriving inner city companies. While they admit they do not have all the answers about what it takes to be a successful entrepreneur, they have certainly developed credible reputations, earning places on the prestigious Inner City 100 list. These accomplished businesspeople discussed their different paths to starting a business and the common characteristics that set successful leaders apart.

Sundra used a graduation gift from her parents to start her business after college. She credits her father, a business owner, as her primary mentor, the one who instilled an enthusiasm and drive for building her business. Sundra also praises her strong management team for the company's success, as trusting in their competence has enabled her to focus more on strategies to grow the business rather than day-to-day project management. Recently, SLR added new projects to its growing business portfolio and expanded geographically. SLR's ability to plan and strategize for the future has helped the company stay on target with its 2010 strategic goals, despite the economic downturn. As a result, SLR has expanded its office space, added administrative staff and is looking to recruit additional professional field staff.

David's mother cried when he quit his six-figure job at Jack Daniels in search of his passion. He credits his keen senses of smell and taste, and the boredom of working in corporate America, with leading him to his dream job and fueling his passion for his business. David has an unconventional, hands-off, "no rules" approach to operating his company – his expectation is that people govern themselves, and he hires employees who fit the company culture. Additionally, David is always evaluating and re-evaluating the strategic direction of his business. In fact, he is creating his own branded product line for Pro-Liquitech International. David is also keenly aware of



Jill Johnson, Institute for Entrepreneurial Leadership, moderates a panel about the importance of effective CEO leadership for growing businesses.



David Dafoe, Pro-Liquitech, shares his company's story and vision for future growth in the flavor market.

the internal expertise that exists within his company as well as what is lacking, and he is meeting with industry experts and partners to expand the company's knowledge base to help make this new line successful.

Together, Sundra and David highlight several important lessons about growing a successful business. While being passionate and engaged leaders are a prerequisite, this alone is not enough. Both Sundra and David understand that having a strong, trustworthy staff is critical at many levels, as this enables each of these leaders to focus on the strategic future of their businesses. The willingness and ability to constantly adjust the business to changing circumstances and new opportunities is keeping both of these leaders one step ahead of their competition. With leadership like Sundra and David's, I am certain SLR and Pro-Liquitech will continue to build on their strengths and obtain the next level of growth with ease.

Jill Johnson is the co-founder and COO of the Institute for Entrepreneurial Leadership in Newark, New Jersey.

FORUM IN ACTION:

SLR Contracting & Service Company, Inc. and Pro-Liquitech International

■ **Sundra Ryce, CEO of SLR Contracting & Service Company, Inc.**, was invited to speak at the U.S. House of Representatives Democratic Issues and Job Caucus on January 14, 2010. She shared how SLR has managed during the recent economic difficulties. "Our ability to sustain and navigate through these economic conditions has nothing to do with how we react to the changes in the economic climate, but instead has everything to do with what we have put in place leading up to this time. We continue to update and execute our strategic business plan while building upon and maintaining the solid relationships we have built," said Ryce, in her remarks to the leadership group.

■ **David Dafoe, CEO of Pro-Liquitech International**, applied and was approved for an SBA 7(a) loan, a product he was introduced to during the SBA administrator's remarks at the Forum's 2010 Summit. He intends to use that money to grow his business by adding staff and developing a new viral and social marketing program. In addition, the company is engaging a marketing firm, whom he met at the ICIC 100 Conference last year, to create ways to amplify their online presence. Dafoe says his biggest challenge is not losing sight of current business responsibilities while exploring ways to expand. "It is easy to funnel energy away from business at hand while looking to expand and suddenly find that we have ignored current priorities," David says. "We do not want to find ourselves in a position where we lose our way because we get distracted."



Sundra Ryce, SLR Contracting & Service Company, answers questions about how her company managed the economic downturn.

Kate Gordon, Center for American Progress; Matt Mayrl, Apollo Alliance; Shari Garmise, International Economic Development Council; and John Walsh, Green for All, discuss how to maximize "green" job creation in inner cities.



Greening the Inner City Economy

In October 2009, ICIC and the Apollo Alliance kicked off a joint project entitled *“Building the Inner City Green Economy”* by hosting a panel discussion that focused on how to bring green jobs to inner cities. This panel brought together both innovative thought leaders from the economic and community development sectors and experts on energy policy and workforce development to discuss the opportunities and challenges urban areas face in participating in the clean energy economy. The goal of these discussions is to develop a framework to define green jobs and determine ways in which economic development officials can look for green job opportunities in inner city areas.

— By Matt Mayrl, Apollo Alliance

Growing public and private investment in clean energy will create a wide range of jobs throughout all sectors of the economy. However, the analytical tools needed to identify local economies’ competitive advantages are still very much in development, along with the policy supports required to promote this progress.

On the analytical front, projecting the opportunities for industry growth in the clean energy sector requires a different approach from typical economic development analyses. Because “green” clusters do not fall neatly into the traditional industry or occupational codes, policymakers and economic development officials are feverishly trying to gain a better understanding of how greater investment in clean technologies will create industry growth across a number of different sectors, many of which are not typically associated with the green economy. Over the past six months, work to define the green economy has continued with several new analyses of the growth and size of the green economy at the state level, including:

- Pennsylvania Green Jobs Report, prepared by the Pennsylvania Workforce Development Department
- State Green Economy Profiles, prepared by Collaborative Economics for the National Governor’s Association

- Many Shades of Green: Diversity and Distribution of California’s Green Jobs, prepared by Collaborative Economics

On the policy front, local governments continue to find new and innovative ways to build local demand for green products and services. A key challenge is how to use the analysis of industry growth opportunities to promote an integrated approach to industry development – an approach that mobilizes a city’s full range of assets, promotes coordination between city government and community partners, and focuses on achieving business growth connected to workforce training programs that ensure access to new job opportunities for residents of the inner city.

Looking ahead, the Apollo Alliance and ICIC will continue their partnership and project work. We look forward to identifying three to four partner cities and developing a new framework to determine the most promising areas of growth within the green economy for inner cities.

Matt Mayrl is the national policy director at the Apollo Alliance.

FORUM IN ACTION:

Clean Energy Works Program

■ Portland, Oregon’s **Clean Energy Works Program** uses Recovery Act funds to provide energy efficiency services to homeowners, while ensuring that participating contractors provide employment opportunities for local workers and traditionally disadvantaged workers. This partnership between the City of Portland and Forum panelist Green for All is creating a national model for energy-efficiency retrofits. So far, the program has financed 500 home upgrades through a low-interest revolving loan fund and is working toward upgrading 100,000 homes. It is expected to create over 10,000 direct jobs over 10 years.

The program can be replicated in other cities to reduce energy bills and pollution, as well as create green jobs with good wages and benefits and new business opportunities with local contractors. Cities that implement this model early on will be in a better position to acquire funding from public and private investments in energy efficiency. Interested parties can join the “Retrofit America’s Cities” community of practice online (www.greenforall.org). Portland has provided the detail of its model, training program and community workforce agreement (CWA) online (www.cleanenergyworksportland.org). However, the housing stock in many inner cities may need to have pre-weatherization work completed (lead, asbestos and mold removal) before a program can be implemented.

Creating Revenue Opportunities with Procurement Practices

Many inner city firms have successfully used government contracts and strong supplier-diversity relationships to help fuel their growth. These contracts are awarded to inner city, minority- and women-owned firms not simply due to race, ethnicity or location, but also because of a company's proven ability to deliver upon the goals of the institutional customer. Savvy firms have used these contracts to help vault their operations to the next level. There are several ways to increase this potential revenue stream for inner city businesses, such as increasing local and federal contracting opportunities and improving supplier-customer relationships through business development. In particular, opening up new partnership avenues with anchor institutions such as universities and hospitals can represent a tremendous opportunity to access local procurement spending.



Dr. Anthony Stallion, Cleveland Clinic, explains how community procurement and supplier diversity programs can help inner city businesses grow in size and scale.

— By Dr. Anthony Stallion, Cleveland Clinic

The Cleveland Clinic is a multispecialty group practice that employs over 40,000 people. It is an organization that spends over \$1 billion dollars on the procurement of goods and services annually. We want to direct these dollars so that they have a multiplier effect in our local economy. As chief community relations and diversity officer, I am responsible for spearheading the Clinic's efforts to increase market share for locally owned businesses as well as minority- and female-owned businesses. At the Inner City Economic Forum in October 2009, I described the three-pronged approach necessary to achieve this goal: increase the Clinic's vendor pool by connecting minority- and women-owned businesses to bidding opportunities; assist these organizations to grow to the scope and scale necessary to do business with the Clinic; and support workforce development of minority laborers on Clinic construction projects.

In terms of recent progress, we are currently achieving our highest minority participation to date for our construction projects. Participation stands at 35 percent on our new \$250 million Global Cardiovascular Innovation Center

(GCIC), which is due to open in May 2010. We are also making great strides regarding workforce development. We graduated five local residents from our skilled trades program in May 2009 and plan to graduate a further 10 apprentices in 2010. This program is run in collaboration with the County Workforce Investment Board and local unions. Apprentices complete 10 weeks of classroom trades training followed by 12 weeks of paid on-the-job training in our facilities and operations division. Graduates are then considered for permanent employment with us. Innovative partnerships like this not only help us achieve aggressive diversity goals, but also have a significant impact on economic development to benefit Cleveland, the region and the Cleveland Clinic.

We look forward to working with ICIC in 2010 as they evaluate our efforts to improve economic and community vitality and help us to identify and disseminate best practices to urban hospital systems around the country.

Anthony Stallion, MD, is a staff surgeon and the chief community relations and diversity officer at the Cleveland Clinic.

FORUM IN ACTION:

Zycron, Inc.

■ The director of supplier diversity from the University of Virginia, William Cooper, revealed at the 2009 Inner City Economic Forum that there is missed market share for inner city and minority businesses in the medical and educational industries, especially with entities that are committed to minority-spending goals. Lee Lambert, managing director for the Memphis office of Zycron, Inc., a customer-focused information technology services and solutions firm headquartered in Nashville, Tennessee, heard this information and acted on it. Zycron has since refocused its new business development efforts to these two additional vertical markets: research and educational industries. Lambert has approached several organizations in the Mid-South, meeting with the chief information officers of St. Jude Hospital, Methodist Hospital, Southwest Tennessee Community College and the University of Memphis, to discuss partnership opportunities with their information technology departments. As a result, Zycron was included in a new RFP process for IT services and is currently being considered for a potential outsourcing contract based on its recent outreach in the medical/research vertical market.



Lee Lambert and Tosha Jones are scaling Zycron's presence in Memphis by winning major contracts with anchor institutions.



Developing a Job Creation Strategy for U.S. Small Businesses

As administrator of the U.S. Small Business Administration (SBA), Karen Mills is the Obama administration's strongest advocate for small businesses across the country. At the 2009 Summit of the Inner City Economic Forum, Mills presented an overview and agenda for her agency.



Administrator Karen Mills outlines the priorities for the U.S. Small Business Administration.

“Seventy percent of the jobs that are created in this country are created by small business. Half the people who work in this country own or work for a small business... if we're going to create jobs and we are going to work our way out of this recession, we are going to have to find ways to give small businesses the tools that they need.”

KAREN MILLS, ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION, OCT. 15, 2009

The U.S. Small Business Administration is the only federal government agency that is solely focused on policies and programs benefiting U.S. firms, with a stated mission of “helping Americans start, build and grow businesses.” With a 2011 budget of just under \$1 billion, the SBA provides basic services for U.S. firms, including \$90 billion in loan guarantees to firms that were unable to obtain a loan through market-based mechanisms, and access to federal government contracts so that 23 percent of all federal contracts go to small businesses. The SBA also developed the Emerging 200 (E200) program, a place-based program that provides firms located in disadvantaged areas with 100 hours of classroom training, along with mentorship and networking development.

The current White House administration has pledged to increase the efficacy and reach of the SBA and its programs to become a more effective resource for small businesses. Action items include restoring the SBA's budget to pre-2001 levels, strengthening its institutional capacity, and ensuring that the small business community plays a vital role in government policymaking.

SBA's basic approach to improve opportunities and reduce constraints facing small businesses in this current economic climate includes reengineering procurement programs like the HUBZone and the 8(a) programs. The goal is to streamline these processes and make sure they are having the intended employment impact. For Mills, helping small businesses grow is a win-win situation for the federal government and taxpayers because the most innovative ideas and products come from small entrepreneurial companies.

In addition, Mills plans to focus on creating regional clusters that can be replicated in inner cities with the cooperation of local industry, government and university partners. “Right now,” she states, “we can be going forward and reinventing ourselves, using our spirit of entrepreneurship, innovation and our ability to get up and get the job done, to create a new platform for American competitiveness.”

Federal Policies in Action:

The federal government – the SBA in particular – is focusing on numerous ways to distribute money to small businesses in this tight credit market and spur job creation. Pending proposals include:

- Increased funding for the SBA to provide more 7(a) loans, microloans and “early-stage and mezzanine” small-business financing.
- A job tax credit program, managed by the SBA, which will incentivize small businesses to hire new workers in the coming year.
- Additional capital targeted to small businesses to enable small businesses to hire new workers, purchase new equipment or obtain working capital to increase inventory.
- Relief for commercial mortgage refinancing, elimination of capital gains taxes for small business investments, and tax incentives for investment in new plants or equipment.



Pro-Liquitech, a three-time Inner City 100 winner, is a pioneer in beverage innovation, producing 500 beverages for 200 different clients. The company recently applied and received an SBA loan as a result of the Forum.



Ensuring a Business-Friendly Environment for Growth



The business environment in which inner city firms operate impacts the ability of these firms to grow. The availability and cost of real estate, the vibrancy of existing businesses and the quality of infrastructure are all crucial physical factors which impact the desirability of a business's location. Policies and programs influenced by local government or business advocates also carry significant weight, such as regulatory and tax systems, incentive programs or general information flow.



The most successful inner city companies take advantage of a location's proximity to customers, nearby transportation assets or available low-cost real estate. At the same time, factors like the high costs of doing business or miles of bureaucratic red tape can impede the success of an inner city firm, burdening their operations and making real business development impossible.

The challenges facing both businesses and policymakers in creating a business-friendly climate are plentiful. Businesses and government speak different languages and often misunderstand each other. Government operates on a different timeline than business, and challenges with the predictability and transparency of processes or information can prove costly to a business's bottom line. Similarly, a well-functioning government depends on multiple stakeholders to influence the outcome of an optimal decision-making process, which can be frustrating to those in the private sector.

ICIC Board Member Barbara Berke leads a discussion about how to improve the inner city business environment.

Matt Camp, ICIC, captures the takeaways and recommendations from the morning working session.

Yet, business owners and concerned stakeholders can take steps to enhance their business environment in order to fuel business growth. Discussions with Forum participants identified four target areas that have potential for impact:

- Including the voice of business in local government
- Reducing costs of doing business and minimizing uncertainty
- Developing strong and vital business networks
- Improving government programs to serve business interests

Inner city businesses, local governments and communities must work together to jointly improve the growth of organizations in urban areas by keeping the following principles in mind:

- **Have a vision that is shared across different perspectives.** Create public-private partnerships and coalitions around a common goal to reduce opposition and drive forward motion.
- **Put the right leader at the helm.** To effectively drive processes forward, the leader must be credible and respected by both the business community and the public.
- **Make sure actions and ideas are fully thought through before implementation.** Programs should be realistic, clear and have tangible, achievable goals to avoid causing frustration and disillusionment.

■ **Continuously promote open communication and ensure awareness.** To drive people to programs and to create more successful buy-in, there is no better method than clear and constant communication.

■ **Make good use of technology for efficiency and communication.** Online resources that combine information from various sources enable government to provide its rules and regulations to businesses in a useful form.

Applying these lines of thought to help businesses in urban cores will have the greatest impact in achieving a climate of business growth that benefits both firms and cities.



Former Washington, DC, mayor Anthony Williams welcomes Summit participants to the District of Columbia and describes the city's ongoing revitalization efforts.

Leading the Way for Small Business

By Robert Walsh, NYC Department of Small Business Services

When Mayor Michael Bloomberg came to office in 2002, he created Small Business Services (SBS), the first agency dedicated entirely to serving the city's 220,000 small businesses. When I was put in charge of the agency, it was a collection of different departments and initiatives from previous administrations that didn't fit into other portfolios. SBS created a direct link between the city's job programs and the needs of the business community, revitalized the city's network of business improvement districts, and built a suite of services to help businesses start, operate and expand.

Two top priorities are helping those who have been hardest hit in these tough times and making it easier to open and grow a small business. Last year, SBS placed New Yorkers in over 25,000 jobs. In 2010, we'll build on our success by using our newly opened Healthcare, Transportation and Manufacturing Sector Centers to place New Yorkers in even better-paying jobs.

SBS is also leading a 20-agency initiative that makes starting, operating and expanding a business in New York City clearer, faster and simpler. A single website, www.nyc.gov/businessexpress, launched in March 2010, navigates 44 city, state and federal programs. We are also going to be even more aggressive in our efforts to connect entrepreneurs with loans, legal assistance, training for their employees and business courses that teach New Yorkers to retool their business strategies.

We are proud of our progress, but are also fully aware that there's much more to be done. These are tough times and we are determined to do an even better job of serving small businesses.

Robert W. Walsh is commissioner of the New York City Department of Small Business Services (SBS).



Commissioner Rob Walsh, NYC Department of Small Business Services, explains how New York has developed new support programs for small businesses.

ICIC in Action: Exploring Innovative Solutions and New Thinking



Voss Industries, located in inner city Cleveland, is a leading producer of specialty metal products used in the aerospace and telecommunication industries.

Academic Network, an Inner City 100 company, is the only outsourcing agency in the telecommunications industry that is wholly staffed and managed by medical professionals.

ICIC believes that private-sector investment is the key to ensuring the economic prosperity of America's inner cities and the financial advancement of inner city residents.

We employ four key strategies to increase business development in urban areas: 1) document the market opportunities and gaps in inner city economies; 2) identify the factors that drive business success; 3) influence the environments in which businesses operate; and 4) model new programs to address the most vexing challenges for inner city businesses.

ICIC's current work corresponds to these strategic areas in the following ways:

- **Redeploying industrial assets:** ICIC is actively involved in a broad-based effort to revitalize hard-hit Midwestern cities, such as Detroit and Flint, by focusing on next-generation uses for their industrial assets.
- **Examining the market opportunity of local clusters:** ICIC is working with the Surdna Foundation to determine how to identify gaps and maximize job creation in inner city local clusters.
- **Understanding the role of anchor institutions:** ICIC is collaborating with the Cleveland Clinic to develop a model for the role that healthcare institutions can play in rebuilding urban economies.

- **Documenting economic potential:** ICIC is partnering with the MacArthur Foundation to evaluate the Construction, Housing and Real Estate (CHRE) cluster nationwide with case studies in Boston, Cleveland, Dallas-Fort Worth and Washington, D.C.

- **Evaluating the potential of green jobs:** ICIC and the Apollo Alliance are working together to determine how to maximize "green" job creation for inner city residents.

- **Growing small businesses:** ICIC is a key partner in Goldman Sachs' newly announced 10,000 Small Businesses Initiative, a commitment of \$500 million to deliver education and capital access to underserved areas through community colleges and community development financial institutions.

- **Improving access to capital:** ICIC is examining how to improve access to capital with the Rockefeller Foundation and is working with Bank of America to scale and grow the Inner City Capital Connections program.

- **Convening major retailers:** ICIC and Social Compact are pulling together many of the nation's leading retailers to assess the market opportunity of the inner city business environment.

ICIC in 2010: Major Events and Activities

- **CEO Series: Providing Expertise to Inner City Businesses**
Monthly conference call series
February – October
- **12th Annual Inner City 100 Summit and Awards Dinner**
Boston, MA
May 5, 2010
- **Inner City Economic Forum Summit**
Bay Area, CA
Fall 2010
- **Inner City Capital Connections**
Los Angeles, CA and New York, NY
Fall 2010

Bill Cooper, University of Virginia, listens closely to the perspective of another conference attendee.



Initiative for a Competitive Inner City

200 High Street, Third Floor ■ Boston, MA 02110 ■ www.icic.org

ICIC's mission is to create economic prosperity in America's inner cities through private sector engagement that leads to jobs, income and wealth creation for inner city residents.

