

Solving the Inclusive Growth Puzzle

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Over the past two years, I've had the opportunity to talk to several dozen regional leaders about the biggest challenges they face in growing their economies. The challenge that comes up most often is "widening economic inequality." But that raises the question – what is the role of economic development practitioners in solving this complex and seemingly intractable problem and in promoting more inclusive growth?



Nobody has come up with a clear answer to that question yet, in part because the field is so cluttered with recommendations that require more rigorous evaluation. However, a useful framework is emerging out of the clutter to guide inclusive growth efforts. It focuses on growing "good" jobs in ways that expand opportunity for all by helping residents of low-income communities prepare for and gain access to those jobs.

In practice, that requires reconciling the conflicting missions, institutional interests, administrative structures, funding streams, performance measures, and geographical boundaries of economic development, workforce development, transportation, land use, and community development programs. That's no easy task. It also requires retooling each of those programs, since current approaches fall far short of what's needed to meet today's challenges, and there's little to be

gained from better coordination of those programs if they are ineffective to begin with.

Improving the effectiveness of economic development programs is especially important, since they are responsible for growing the new jobs on which everything else depends when it comes to inclusive growth. Due to fundamental changes in the economy, many of the strategies that worked well in the past are now largely ineffective, and some of the job creation strategies currently in vogue may actually be making the situation worse when it comes to economic inequality. There's a critical need for economic development practitioners to rethink the way they pursue job growth, and to be more intentional about raising living standards for all.

Innovative Efforts

Fortunately, there's a lot of innovative work going on along those lines in regions across the country. However, those innovative efforts are waging an uphill battle against entrenched thinking and systems, or are working around those systems, making it difficult for innovations to take root, or to be scaled up.

In addition, most of those innovative efforts are currently being funded by short-term and programmatic grants, while the work itself is long-term and systemic. Moreover, funders are increasingly demanding quantifiable results, even though the impacts of systemic changes aren't likely to show up for many years. That leaves regional leaders in a predicament where they are forced to piece together enough short-term, programmatic grants to keep their inclusive growth efforts going long enough to make a lasting difference.

To complicate matters further, even if the available grants were restructured to focus on systems, rather than programs, there would still not be enough of them to complete the job. Ultimately, the only way to scale up and sustain innovative efforts on the ground will be to tap into existing streams of public funding and redirect them to more productive uses. But, existing streams of public funding are being staunchly defended by parochial and vested interests, and reinforced by administrative and legislative restrictions.

Turning that around will require changing the rules and norms that govern existing systems through protracted campaigns that build coalitions, shape public opinion, and fully engage elected officials. But that is complicated by the tendency of

proponents of growth and proponents of inclusion to reside in separate camps. In fact, there is often a strict division of labor between the business, planning and economic development organizations that focus mainly on growth and the philanthropic, labor, religious, advocacy and community-based organizations that focus mainly on inclusion. Moreover, there is little interaction between these two camps, and when they do interact, they often perceive themselves to be in conflict.

In sum, promoting inclusive growth is a complex undertaking. It requires transforming the way existing programs approach their work in defiance of entrenched thinking and systems. It requires coordinating efforts across multiple programs in spite of numerous structural barriers. It relies heavily on short term and programmatic grant funding, even though the work is long term and systemic. And redirecting existing streams of public funding requires bridging the traditional divide between the growth and inclusion camps.

Managing Complexity

That's a lot of complexity to manage. Some regional leaders have responded by developing comprehensive plans that try to capture as much of the complexity as possible. That kind of planning process has the advantage of helping stakeholders see the big picture and understand how the pieces fit together. And it can help them identify opportunities to work across traditional program and jurisdictional boundaries, breaking down barriers and building collaborative capacity in the process.

But no single plan can hope to capture everything that's relevant to inclusive growth. There are simply too many variables to consider, and conditions on the ground are constantly changing. So, even the best-laid plans for inclusive growth have a half-life of only a year or two.

Moreover, comprehensive plans are very difficult to implement. Regional leaders have found that focusing on too many things at the same time can spread resources too thin to make a difference, or lead to stress and burnout. Their experience suggests that successful implementation is heavily dependent on the collaborative capacity of those involved, which is built through previous work together. Consequently, the more comprehensive the plan, and the more people needed to carry it out, the harder it is to implement, and the less likely it is to succeed. The key is to find a scale that is big enough to have an impact, but not so big that the effort becomes too difficult to manage and sustain.

In an effort to simplify things a bit, some regional leaders have focused their inclusive growth efforts on particular communities. That approach has the benefit of reducing the number of actors that need to be involved and increasing the likelihood that those actors already have some experience working together through comprehensive community development efforts. Moreover, the smaller scale makes it easier to coordinate programs that create jobs, and help people prepare for and gain access to those jobs.

However, individual communities rarely have all of the assets needed to turn things around on their own. And experience has shown that it's very difficult to attract enough jobs or to concentrate enough resources in one community long enough to make a significant and lasting difference. The key is to fully leverage the existing assets in the community, but also to connect the community to jobs and resources at the regional level, which requires that there be effective structures in place at the regional level. In other words, it's not a matter of choosing whether to work at the regional or community level. It's a matter of better connecting the two.

Another way regional leaders are trying to simplify things is by working on individual pieces of the inclusive growth puzzle. That gives the work a tighter focus and requires that fewer people be involved. It makes the work easier to fund, since most funders prefer short-term projects with clear objectives and measurable results. And it lends itself to using collective impact as a problem-solving method, since that method is particularly effective in situations where the problem is well defined, the objectives are clear, the results are measurable, and the solution requires cross-sector collaboration.

However, focusing too narrowly can limit the impact of the work, since the biggest opportunities for making a significant and lasting difference lie in working across program boundaries and in changing existing systems. It can also be easy to lose sight of the big picture when focusing on separate initiatives. The most successful regions have found that the key is to focus on a portfolio of mutually reinforcing initiatives guided by overarching strategies and metrics.

In sum, the challenge is to find the right balance between doing too little and doing too much, a better connection between work at the community level and work at the regional level, and the ability to focus on individual pieces without losing sight of the big picture. That takes a lot of practice.

Collaborative Leadership

It also takes strong leadership. Typically, regional partnerships carry out their work by organizing work groups and giving them responsibility for carrying out particular pieces of the plan. Because the backbone organization can't do everything that's needed on its own, particularly as the work expands, those work groups tend to rely heavily on volunteers and loaned staff, who work on particular projects, often moving on when their project is completed.

The projects are typically overseen by a steering committee, also made up of volunteers, who also tend to come and go. After a couple cycles of leaders and members coming and going, it can be easy for steering committees to lose sight of the original plan, and for projects that require long-term investment to get lost among competing priorities. Moreover, as the work expands, steering committees often end up getting consumed by operational issues, leaving them little time or capacity to provide strategic direction to the work as conditions change and the plans begin to lose their relevance.

Without strategic direction, the work becomes fragmented and success becomes defined by the outcomes of individual projects, particularly if funders are demanding measurable short-term results. The key to avoiding this "project trap" is to maintain a small, stable core group of leaders who provide ongoing strategic direction to this work over the long haul, and who make sure that projects are designed to transform existing systems, rather than work around them.

That requires a distinctive leadership approach that is different from running a business or a government agency. Success depends on the ability to get individuals and organizations with widely different perspectives, expectations, values, performance requirements and agendas to agree on what needs to change and on a common course of action, and to hold themselves and each other accountable for delivering results. In other words, a collaborative approach.

Pulling that off requires leaders who are highly respected and trusted as neutral and honest brokers, who are capable of working across organizational boundaries, who are able to hold onto the big picture while focusing on individual pieces, who are comfortable with uncertainty and risk, and who are able to seize opportunities as they arise. In practice, this often happens informally since, despite the critical importance of this regional organizer function, there is currently no stable, dedicated source of funding to support it in most regions.

As a result, the individuals currently performing this function are housed in many different kinds of organizations, including economic development groups, government agencies, business leadership groups, metropolitan planning organizations, and philanthropic foundations. Because there is no dedicated source of funding to support their work, they are very dependent on their boards' and/or members' ability to see the benefits of this broader role to the home organization and to be willing to make it a priority. And because their skill set is so unusual, when they move on, burn out, or pass away, they can leave a vacuum that is often hard to fill.

That has led some regions to launch new leadership development programs or retool existing ones to expand the ranks of collaborative civic leaders. However, those programs are still very limited in number. To compound the problem, there are few opportunities for meaningful interaction among these leaders across regions. And they tend to be orphans within their own national organizations, which are mainly focused on other issues besides inclusive growth.

In sum, it's easier to manage the work of inclusive growth if it's done in pieces, but somebody needs to put those pieces together and keep things moving forward in the same direction. That regional organizer role requires a distinctive collaborative leadership approach that is based on mutual trust and respect built over many years. But those leaders are in short supply and difficult to replace when they are no longer available. And there are few structures in place to develop more of them.

These are just a few of the hard-won civics lessons that have come out of innovative efforts to solve the inclusive growth puzzle in regions across the country. There's much more work that needs to be done to strengthen, expand and sustain those efforts.