

CRAIN'S CLEVELAND BUSINESS

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November 29, 2020 04:00 AM | UPDATED 14 HOURS AGO

Personal View: Cleveland Innovation Project goes 'Back to the Future' with its 2030 plan

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'By slanting the project's goals toward unrealistic social objectives rather than the broad economic benefits of innovation, community leadership has missed an opportunity to rethink economic development and apply some lessons from the COVID-19 pandemic,' writes economist James M. Trutko.

The Greater Cleveland Partnership, Team NEO, JumpStart, Cleveland Foundation and the Fund For Our Economic Future's collective vision for the decade, the [Cleveland Innovation Project](#) (CIP), regrettably falls short as a compelling vision for the future.

The strategic economic drivers largely reboot past initiatives and are too narrow to meet broad community employment needs. New measures to improve the "innovation ecosystem" strive to advance equity but will have only a modest impact on entrepreneurship and business formation.

By slanting the project's 2030 goals toward unrealistic social objectives rather than the broad economic benefits of innovation, community leadership has missed an opportunity to rethink economic development and apply some lessons from the COVID-19 pandemic.

The strategic sectors selected by CIP include smart manufacturing, health innovation and water technology. Helping Cleveland manufacturing adapt to new technology — to become "smart manufacturers" — was part of the rationale for the Manufacturing Advocacy and Growth Network (MAGNET) 30 years ago. The CIP has fixated on manufacturing industries as an economic driver, but manufacturing and its related employment have contracted by more than 30% over the past 20 years, limiting growth potential.

Likewise, an effort to encourage "health innovation" is not new — the real issue is how to do it successfully. The community provided strong support for the failed BioEnterprise organization and made a multimillion-dollar bet on the unsuccessful Global Center for Health Innovation. Employment in the health sector has increased dramatically over the past two decades under the leadership of the Cleveland Clinic, University Hospitals, several other hospitals and corporations in the medical field. These successful organizations will likely find profitable innovations to exploit without the advice of economic development professionals.

The ill-defined third sector, "water technologies," has to do with water processing and controls. Earlier economic development plans touted port expansion and the St. Lawrence Seaway; more recent plans focused on wind turbines. While innovative water technology may make a small positive contribution to the area's economy, major innovations are more likely to come from regions with scarce, not abundant, water resources.

A more forward-looking approach to selecting target sectors for innovation would be to look at the whole economy, including service industries, and to identify niche industries that are growing and have potential regional or national markets. Targets should include Cleveland industries with a decent base of companies with varied capabilities where the development organizations can amplify collective impact through cooperative planning. The sectors should also offer potential for short-term employment gains and provide spinoff benefits to the community.

In addition, CIP should analyze the economic and social effects of the pandemic and generational changes on Cleveland's competitive advantages. Despite COVID-19's disruptive impact on business, it has undoubtedly created opportunities for innovative products and services that can address virus-created problems.

As part of its strategy, CIP plans to strengthen the region's "innovation ecosystem," but its initiatives will have slight immediate impact on innovation. One initiative, "catalyzing a capital continuum," simply dresses up an old problem — the region's anemic ability to attract venture capital — without hinting at a solution.

To foster greater employment equity, CIP proposes encouraging schools to strengthen digital/STEM skills and expedite high-quality broadband access to households without it. While good in themselves, these actions will have little immediate impact on innovation and the area's future.

Another equity-focused proposal is "Innovation Zones" to encourage development in Cleveland neighborhoods centered on Euclid Avenue and Kinsman (East 30th to East

105th). Encouraging development in areas with good public transportation, like the so-called Health Corridor, is a good idea, provided companies want to go there. But building the "Opportunity Corridor" by extending I-490 from East 55th to University Circle has been stalled for years because highway planners are not convinced the economic impact would be worth the cost.

CIP supporters will probably praise its bold, aspirational goals, but CIP's education, job and investment goals appear unrealistic. CIP is counting on inexperienced management and newly trained technical personnel to lead innovation and spark growth in new businesses and jobs. They are hoping for capital investment in locations and on a scale that has not previously happened and on an expansion of broadband connectivity paid for by third parties. They forecast a major uptick in center-city real estate development, but the Cleveland market has high vacancy rates even in desirable areas.

In addition, CIP's 2030 goals include highly prescriptive equity targets that focus on increased participation of minorities and females in training, jobs and investment, without identifying the broad economic growth targets that will enable the area to achieve these goals. The failure to identify overall employment growth, business formation, GDP and unemployment targets is a significant omission because it uncouples CIP strategy from success metrics.

By focusing so intently on remedying inequality, CIP seems unwilling to recognize that sustained economic growth is not only difficult to attain but is inherently unequal. In any community, only a small number of people are willing and able to invest in new enterprises, and they are primarily motivated to invest to make more money. Entrepreneurs won't invest time, capital and effort in innovative enterprises with a high possibility of failure without the promise of a significant reward. CIP should give more attention to creating a bigger economic pie and be less concerned with how the pie is to be split. If the region becomes more prosperous, and new people, including women and minorities, enter and rise within the innovation process, inequality will inevitably diminish.

Moreover, CIP's approach fails to demand performance from institutions set up to deal with root causes of racial inequity. Rather than trying to achieve equity through fragile new businesses, CIP should focus on demanding more from the county's social service delivery system, improving schools with poor performance and reforming police departments and the criminal justice system.

The reason the organizations funding the CIP don't focus on these priorities is the difficulty of transforming intransigent government bureaucracies. It is just easier to imagine that new

businesses can solve social problems after government has failed.

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Inline Play

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