

THE NEXT ECONOMY IN ACTION

These 3 cities embraced the Next Economy. Here's what happened.

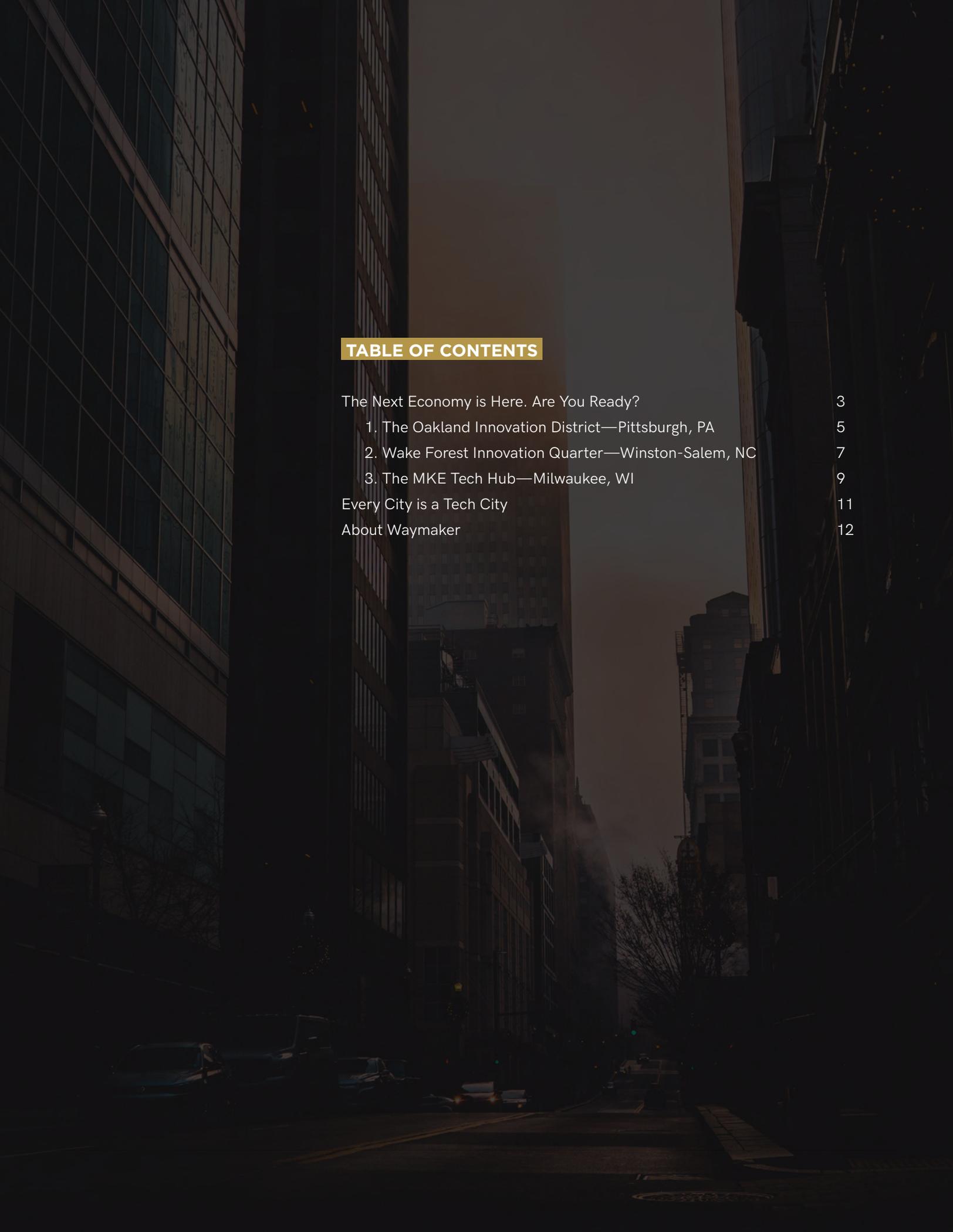


TABLE OF CONTENTS

The Next Economy is Here. Are You Ready?	3
1. The Oakland Innovation District—Pittsburgh, PA	5
2. Wake Forest Innovation Quarter—Winston-Salem, NC	7
3. The MKE Tech Hub—Milwaukee, WI	9
Every City is a Tech City	11
About Waymaker	12

THE NEXT ECONOMY IS HERE. ARE YOU READY?

Our nation—and indeed, the world—is in the midst of a major economic transformation. We’re moving from an industrial past to a digital, innovation-centered future. Towns and cities once defined by rivers, raw materials, brick smokestacks, tobacco, steel, and coal are evolving into innovation communities with entirely different priorities: high-skilled workers, research, science, creativity, and technology-intense advanced manufacturing.

The truth is that the “next” economy is *already here*. But while some forward-thinking communities have already arrived, many more (most, in fact) are still en route, searching for a North Star to help them navigate the path forward. One needs only skim the innovation growth trends over the last 15 years for evidence of this disparity.

Only five major coastal cities—Seattle, Boston, San Francisco, San Diego, and San Jose—are responsible for [90% of the nation’s innovation sector employment growth](#) since 2005¹. This hyper-concentration runs counter to the flexible and remote nature of modern technology. Former industrial centers in the American heartland, in particular, have a glaring opportunity to equalize or *exceed* coastal growth in this environment.

On the one hand, the Great Lakes region has a [long history of exporting wealth to large coastal metros](#)², and the Midwest has seen just a sliver of nationwide venture capital investments. Those trends, however, create a misleading picture of an asset-poor region. Nothing could be further from reality. By the numbers, the Midwest region actually produces *one quarter to one-third* of the nation’s R&D, new patents, and top talent. Meanwhile, PR firm Edelman found that 49% of Bay Area residents, and 58% of Bay Area millennials, are [considering moving away](#)³.

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GROW FROM THE INSIDE OUT.

So what can the American heartland do to *retain* homegrown talent and *attract* stir-crazy innovators from the coast? The path forward for former industrial centers in the nation's core lies in the purposeful development of "New Economy" spaces in city centers. Often called *innovation districts* (or innovation centers, neighborhoods, corridors, or quarters), these centers promote knowledge-based growth with a sustainable talent pipeline. This requires a combination of closely-aligned strategies including (but not limited to):

- » **Placemaking** at the neighborhood scale around "anchor institutions" — often a research university, health complex, or major brand facility.
- » **Mixed-Use Infrastructure** that intermingles tech-based businesses, training institutions, public transit, co-working spaces, shared housing, public services, and recreation/amenities.
- » **Targeted investments** in infrastructure, technology, and entrepreneurship.
- » **Marketing** to attract global players from outside markets with effective positioning of your regional assets and Next Economy bonafides.
- » **Regional coalitions** of private and public sector leaders around a core vision for growth.

[The Economist](#) has reported that when a city's center is "an attractive place to live, work, and play—with renovated bike paths, lots of parks, restaurants and nightlife—that draws young graduates, the newly retired and more."⁴ Consider downtown Chicago, which has multiplied its population 6x over the last four decades (currently 110,000) even as the city's overall population has remained steady. Folks are centralizing downtown because it's both more fun than it used to be and less "cripplingly expensive" than coastal juggernauts like L.A., Boston, New York, or San Francisco.

Couple an attractive environment for residents with close proximity between startups and anchor institutions, and your city will have all the pieces in place to become a growth center for the Next Economy!

It always helps to have some models to work from, though. Let's take a deeper look at three of the nation's newest inland innovation districts to see what we can learn about their respective approaches to transformational growth.



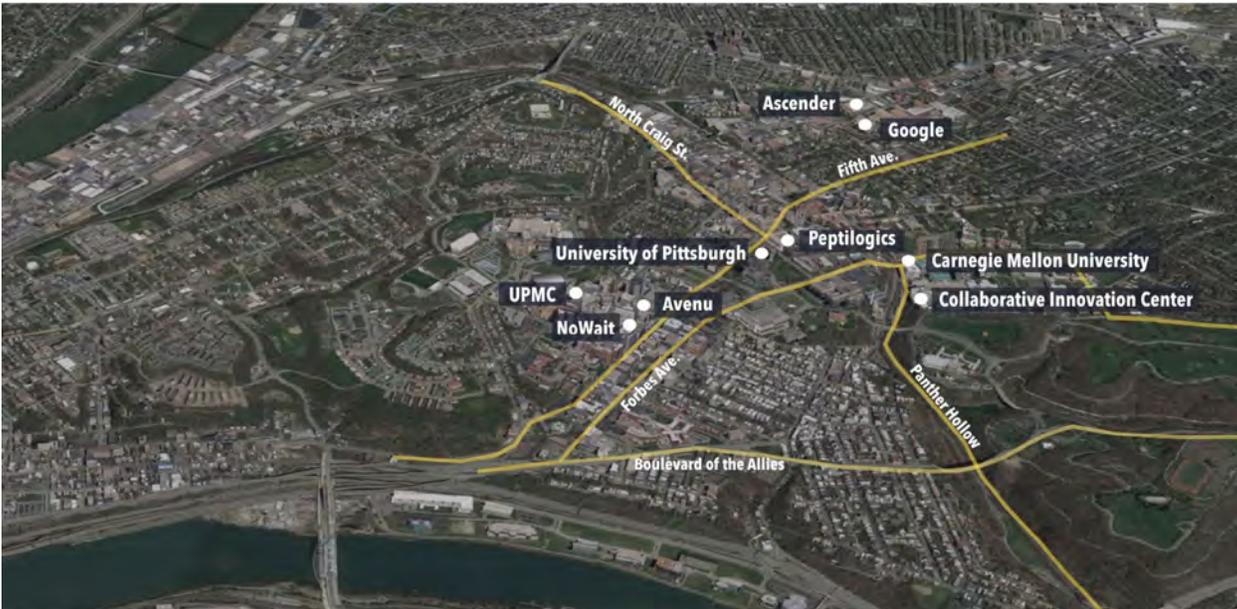
THE OAKLAND INNOVATION DISTRICT—PITTSBURGH, PA

Brookings has put forth [35 rising metro areas](#)—mostly inland from the coastal giants—as candidates to become major growth centers for the Next Economy. Among them, Pittsburgh’s profile may be the strongest. It features 8.2M square feet of federal property in the metro area (with 665k either underused or unused entirely) and 1,300 acres of federal land. Such assets make transformative federal investments possible, and the proliferation of available properties is ideal for re-imagining in the mold of the Next Economy⁵.

Even though it holds only about 3% of the city’s land area (1.7 square miles), the Greater Oakland neighborhood has the [densest collection of innovation assets](#)⁶:

- » 10% of Pittsburgh’s residents
- » 29% of the jobs, startups by the dozen
- » Many co-working locations
- » Two world-class research institutions (Carnegie Mellon University and the University of Pittsburgh)
- » A major medical facility (the University of Pittsburgh Medical Center).

This tiny geographical area currently constitutes more than a third of Pennsylvania’s university research output (and ranks 9th out of the top 100 cities for university R&D). Pittsburgh’s Oakland Innovation District also houses global headquarters or major offices of powerful companies like Google, Uber, and many others, mainly within three advanced clusters: manufacturing, tech, and healthcare.



The Pittsburgh region no longer competes on steel, coal mines, and river access, but in the currency of the Next Economy: a highly skilled workforce, thriving startup support system, world-renowned research institutions, and advanced manufacturing technologies.

The success of this model can surely be emulated elsewhere in the fading industrial Midwest. Pittsburgh was far from the only community hit by the American collapse of traditional, blue-collar industries like steel and coal. By 1980, 75% of Pittsburgh's steelmaking capacity had vanished along with 130,000 manufacturing jobs. And yet, today, the city is [nationally renowned for spearheading a Rust Belt renaissance](#). The Pittsburgh metro employed 115,500 healthcare workers in 2016 and performed more than double the national average of university research for a community of its size⁷.

AMERICA'S "MIGHTY MIDDLE"

Dozens of cities, thus-far-overlooked, also boast the right mix of institutions and science/tech capacities to compete for a leading role in the Next Economy. VC bets on those capacities are already beginning. For example, [America's Mighty Middle](#)—a Crunchbase review of heartland venture capital trends over the last decade—brought us these revelations about the American interior in cities like Pittsburgh⁸:

- » \$92.6B of total 2010-2019 VC investments were deployed in the "Mighty Middle."
- » \$5.8B invested dollars in 2010 grew to \$20.2B in 2019 (13% CAGR).
- » 16 exits greater than \$500M occurred from 2017-19 (vs. only 6 of that size from 2010-2012).
- » 40% of Fortune 500 companies are in the "Mighty Middle."

The momentum is there. Large exits have become increasingly frequent in these growth centers away from the coastal mega-cities, and the world's largest (and fastest-growing) companies continue to move their headquarters into the center of the country. At the same time, the [McKinsey Global Institute](#) observes that technologies like genomics, robotics, automation, energy storage, and more are on the cusp of disrupting the status quo and "rearranging value pools" entirely⁹.

Now is the time to embrace economist Joseph Schumpeter's idea of "creative destruction"—as Pittsburgh has—and reinvent the industrial Midwest to take advantage of the innovation economy train, right as it's rolling into the station.



WAKE FOREST INNOVATION QUARTER—WINSTON-SALEM, NC

The Raleigh-Durham region of North Carolina gets all the innovation buzz in the state for the [Alexandria Innovation Center at Research Triangle Park¹⁰](#). However, areas like Winston-Salem are also vying for a seat at the new table of American prosperity. A city once dominated by tobacco, coal, and iconic brick smokestacks now features a Next Economy institution that is seemingly out-of-place: The Wake Forest University's Institute for Regenerative Medicine.

Dr. Anthony Atala, a former leader at Boston Children’s Hospital, has run the institute for the last 15 years in the relative quiet of a southern market still reeling from the fall of Big Tobacco. He oversees a team of scientists and bio-engineers who are hard at work engineering lab-grown organs for medical transplantation.

How did Winston-Salem attract such an ideal health sector anchor institution? Back in the day, the cheaper labor of a small metro could entice investments and draw in companies seeking an able, willing, and plentiful workforce. Those selling points are relics of an age in which factories were cornerstones of communities; they would have no pull with research centers like the Institute for Regenerative Medicine.

Companies in today’s knowledge-dominated economy are looking for tight clusters of highly educated workers—and the ability to attract more. This inevitably points cutting-edge businesses towards existing large city centers. Where they go, the talent follows, and so do the amenities (bars, restaurants, gyms) and the venture capitalists. The high demand for housing pushes up the cost of living, making it hard for lower-income workers to stay and participate.

Winston-Salem’s approach has been slower going than areas like Raleigh-Durham, which by contrast is flush with coveted innovation assets (a significant science park), and simply needed a catalyst to kick things into high gear. Nonetheless, “If any middling city can make a transition to a technology-centered future,” the [NY Times reported](#), “Winston-Salem should.”¹¹

This is because the region has the right foundational institutions to build pathways to success and fruitful public-private partnerships with research and technology-oriented businesses. It features:

- » Five total universities (including Wake Forest)
- » A leading medical school to anchor a future biotech ecosystem
- » A real estate development effort aimed at building an “Innovation Quarter”
- » A joint effort between two partnered universities on a Center for Design Innovation
- » An affordable community college that promises to provide workforce skills companies need

The Center for Design Innovation has brought value in the form of an advanced motion detection studio for the production of VR and animation projects. The community college, Forsyth Tech, even bought sophisticated machinery to create the right “simulated working environment” to draw Caterpillar into the market. Indeed, Caterpillar did come, although job growth has been slow. No worry. Slow and steady wins the race to become the next booming center for innovation and growth.

The head of real estate development for the Innovation Quarter, Graydon Pleasants, put Winston-Salem’s gradual transformation into a clear perspective when he told the NY Times:

“The top talent is going to go to the coasts, no doubt about that. But there are plenty of smart people who will come here.”

Humble Winston-Salem’s aspiration to become a national biotech leader says it all. Any city with a few foundational assets in place—be it colleges, a major business HQ, or an old science park—can set a course for an innovation-centered future.



THE MKE TECH HUB— MILWAUKEE, WI

Milwaukee has been a bit of a paradox for the last few decades. The ingredients have always been in the cupboard, but somehow there's never been a cake.

Twenty-five higher education institutions call Milwaukee's perch on the banks of Lake Michigan home—and many have sterling reputations for STEM programming. Chicago, with all of its rich cultural and commercial amenities, is just over an hour away. A cluster of Fortune 500 headquarters reside within the limits of the mid-sized market (population 595,000). And yet, these asset-rich companies struggled to recruit technical talent, and outsiders mistake the Milwaukee market as a land of beers and cheese.

Waymaker Group came into the fold to help Milwaukee identify a path towards the competitive tech hub identity that's always been just out of reach. Part of the issue was one of perspective. Economic development executives in the area did not have metrics available that showed Milwaukee's current technology impact—or its potential for growth. "*We've been a manufacturing city for 175 years,*" declared a regional leader.

Sixty days of meeting with regional stakeholders led to a nuanced understanding of local assets and the launch of [a tech impact study](#). The data showed that Milwaukee was enjoying an enviable \$26.6B in annual economic impact from tech industries, among other impressive findings¹²:

- » Tech made up nearly **ONE-QUARTER** of the regional economic output
- » **5,300** companies, **89** occupations, and **76K** workers comprised the local tech cluster
- » The majority of tech occupations had above-average wages (**\$47K+**)
- » **31K** job openings were expected in the next 5 years (**90%** due to retirement or career changes)

These promising indicators helped bring public and private leaders around to the reality that Milwaukee was *already* a tech hub. The trick would be rebranding the region to outsiders to attract the businesses and talent that would help Milwaukee grow to its full tech hub potential.

An organized, consolidated effort to jumpstart a new regional narrative began. Corporate leaders, entrepreneurs, educators, and community organizers joined forces to form the Milwaukee Tech Hub Coalition, a non-profit that would showcase, guide, and support the region’s vibrant tech community.

So far, they’re doing a bang-up job. Check out this small sample of recent progress on the [tech coalition website](#)¹³:

WHY MILWAUKEE

Some of the world’s most dynamic companies and individuals have found plenty of great reasons to make Milwaukee their home.



STRONG AND GROWING



We've tracked figures from 2011-2016 that show a +34% growth in Milwaukee GPD—*three times* the national average. The tech impact on the region has been ramping up as well, from \$21B back in 2012 up to \$30B in 2017 (and still growing). Los Angeles-based commercial real estate services and investment firm CBRE Group Inc. went on to [name Milwaukee as one of its top ten up-and-coming tech markets](#) in November of 2018¹⁴.

Milwaukee is already well on its way to enjoying new prosperity and regional growth. Effective leverage of its talent pipeline and a unified vision for the future took existing assets to the next level. You can learn more about Milwaukee's efforts in our [full MKE case study](#)¹⁵.

EVERY CITY IS A TECH CITY.

We live in a technological world, and the Next Economy waits for no one. The time to chart your path forward and ignite your market transformation is *now*.

The three communities we've discussed here come from industrial backgrounds, and all are geographically distant from the leading coastal metropolises. Nonetheless, they each enjoy unique innovation assets that set their relative opportunities apart from other small and midsize markets. Every city has resources and assets to leverage—it's all about connecting the right people, finding the right opportunities, and running with them.

Waymaker Group understands the principles that drive Next Economy innovations in the American heartland—including thriving communities like Pittsburgh, Winston-Salem, and Milwaukee—and we're excited to get to know your city next. Contact our principal for more information on the assets and opportunities that catalyze unprecedented growth for a city like yours.



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15. [Waymaker Group — Case Studies: Milwaukee](#)



ABOUT WAYMAKER

WAYMAKER GROUP HELPS LEADERS AND THEIR COMMUNITIES POWER SUCCESSFUL INNOVATION ECONOMIES.

We believe innovation-based economies are the key to stable and sustainable communities. We are passionate about reshaping economies and remaking places to optimize community prosperity. We partner closely with city leaders (government, corporate and academic) to develop data-driven plans that add economic hope and confidence. We believe in leveraging the existing assets and network intelligence of cities to support the creation of a new vision. We believe there has never been a more urgent time to lead courageously. Waymaker brings vision, a national network of technical experts and the ability to cultivate trust among disparate stakeholders.

WHO WE SERVE

- » **Government Leaders:** Elected officials or city managers seeking a new approach to economic development.
- » **Corporates:** C-suite leaders, board directors or general managers of headquarter companies seeking to make their market more competitive.
- » **Non Profits:** Tech councils, associations, chambers of commerce or philanthropic organizations seeking to make their communities better.
- » **Higher Education:** Presidents, provosts and commercialization officers looking to forge strategic innovation partnerships with government and private companies.

CONTACT US

waymaker-group.com | info@waymaker-group.com



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