



A Metropolitan Business Plan to Advance
Economic Opportunities in the Seven Counties
of Southeast Wisconsin

MILWAUKEE 7

FRAMEWORK FOR ECONOMIC GROWTH

Executive Summary

November 2013

DRAFT



In Today's Globally Competitive Economy, the Winds of Change are Upon Us. Our Time to Act is Now.

Milwaukee's economic foundation was built on heavy industry. The city grew as a major port, a manufacturing leader and a beer production capital. Today, the region is a vibrant center for commerce with a unified commitment to economic growth.

In the past few decades, as the global economy has experienced – and continues to undergo – a fundamental shift toward more knowledge-intensive products, services and processes, the Milwaukee region has experienced significant challenges, including low growth rates, long-term job losses and rising poverty.

The Milwaukee region has already begun to make the transition toward a vibrant, new-economy environment. However, looking toward the future, the region's economy is at a critical inflection point. Deliberate, collaborative action to leverage strategic assets and address key challenges is needed to put the region on a path to inclusive new-economy prosperity.

Now is the time to leverage existing activities and energy and align the region's efforts through a comprehensive, mutually reinforcing set of strategies and implementing enterprises.

The Milwaukee 7 Regional Economic Development Partnership convened five cross-sector working groups to provide expert advice and insight into specific aspects of the economy. Numerous other local experts were engaged one-on-one to supplement quantitative analyses and other market research.

Over the past 18 months, approximately 150 stakeholders from across the seven-county Milwaukee region have engaged in brainstorming, analysis, vetting of strategic alternatives and identification of promising initiatives to grow the regional economy. The results of these activities have culminated in the *Milwaukee 7 Framework for Economic Growth*, a metropolitan business plan that features a detailed analysis of the levers that drive the region's growth and an integrated set of strategies tailored to our unique assets and opportunities.

Executing this plan requires significant continued stakeholder commitment, accountability and coordination across strategies and initiatives. We need all hands on deck to move this plan's strategies forward and implement the initiatives that will lead our region successfully through the headwinds of the next economy. Through our combined leadership, we can create a star that aligns the region's activities to create a prosperous future for all of our citizens.



▶ The Milwaukee Region: An Economy in Transition

In the past few decades, as the global economy has experienced – and continues to undergo – a fundamental shift toward more knowledge-intensive products, services and processes, the Milwaukee region, like many others in the “Rust Belt,” has experienced significant challenges.

Business models, supply chains and connections among firms and institutions are shifting dramatically, causing firms and entire industries to reexamine their strategic positioning and seek out new markets, partners and ways of doing business to be competitive in the next economy. New centers of gravity are beginning to form, but emerging opportunities are still being defined, and the constellation of stakeholders and resources necessary to realize them is not yet fully aligned.

The many legacies – industry mix, workforce, built environment and institutions – of the Milwaukee region’s rich industrial history provide the foundations to forge and traverse a path toward a prosperous, inclusive and competitive place in the next economy. The region needs to deliberately capitalize on and connect the opportunities arising from its competitive assets: one of the nation’s leading advanced manufacturing sectors with high-potential industry clusters, emerging innovation ecosystem, above-average educated workforce, and strong network of universities and technical colleges.

▶ Regional Economic Performance

Today, the Milwaukee regional economy is large and diverse. The region's approximately 950,000 workers – employed in 52,000 firms – generated \$83 billion of real gross regional product (GRP) in 2011. The four-county Milwaukee metro area is the 36th largest in the US, and if it were a country, its size would rank it just behind Morocco and Slovakia.

At the same time, regional employment experienced a more dramatic decline and a more modest post-recession rebound than the US as a whole, and currently (2012) stands at nearly 6% below 2000 levels. GRP similarly has grown more slowly than the nation (2001-2012), at a compound annual rate of 0.9% vs. the US rate of 1.5%.

Modest GRP growth – despite employment losses – has been possible because of an 18% rise in regional productivity since 2001. While productivity growth has outpaced the US, the region remains nearly 4% less productive than the US (2011). Despite rising productivity, wages have remained stagnant in the region (+0.1% compound annual growth since 2000), and the gap between the average regional wage and the average US wage has widened to more than 6%.

The 7-county unemployment rate has historically tracked the national rate, though it has come down slightly more quickly since the recession (to 7.6% in 2012 vs. 8.1% for the US).

The 7-county region's poverty rate has risen by more than half since 2000, but declined slightly in 2011 to a level of 15.0%, slightly below the US rate of 15.9%.

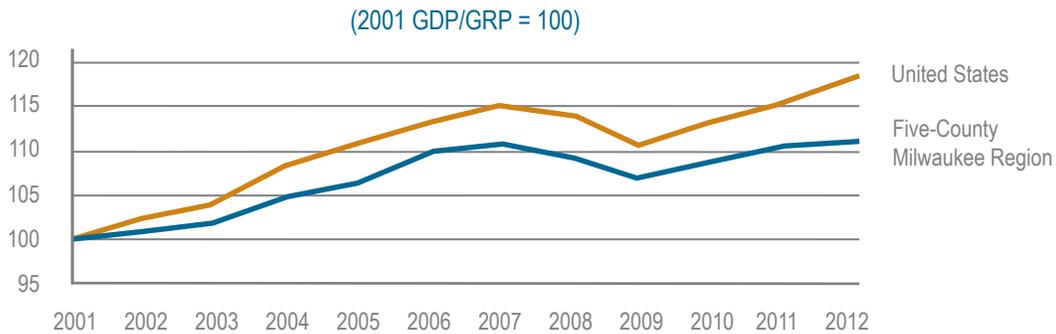
Looking toward the future, the Milwaukee region's economy is at a critical inflection point. Its performance is uneven as firms, workers and a range of public and private institutions are working to adapt to the new-economy environment. Deliberate, collaborative action to leverage strategic assets and address key challenges is needed to put the region on a path to inclusive new-economy prosperity.



▶ Key Economic Indicators

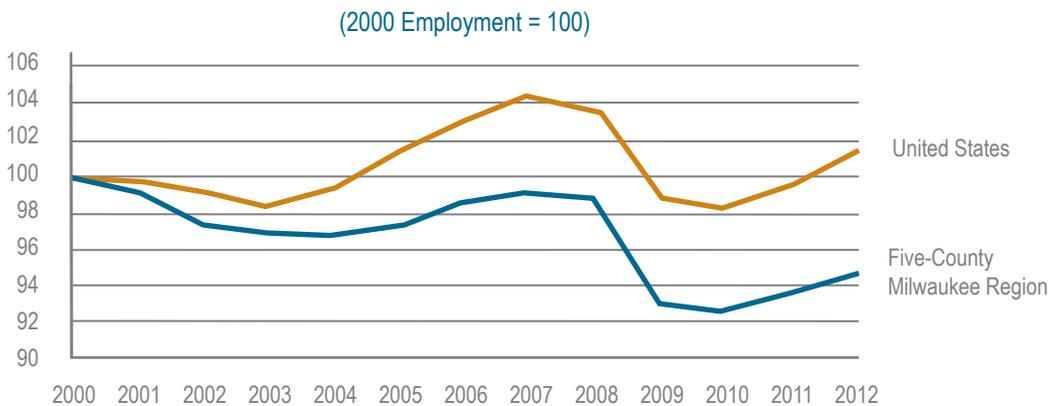
Indexed Gross Domestic Product, 2001-2012

Modest GRP growth – despite employment losses – has been possible because of an 18% rise in regional productivity since 2001. GRP has grown more slowly than the nation (2001-2012), at a compound annual rate of 0.9% vs. the US rate of 1.5%. While productivity growth has outpaced the US, the region remains nearly 4% less productive than the US (2011).



Indexed Payroll Employment, 2000-2012

Regional employment experienced a more dramatic decline and a more modest post-recession rebound than the US as a whole, and currently (2012) stands at nearly 6% below 2000 levels.



Creating an Action Plan

To identify its place on the path to transformation and articulate a set of integrated growth strategies, Milwaukee 7 engaged a broad array of regional stakeholders in the process of Metropolitan Business Planning: a proactive, fact-based, action-oriented approach to targeting, aligning and leveraging regional assets for inclusive growth in the next economy.

Brookings Institution's Metropolitan Business Planning establishes a new approach to regional economic development, geared toward redeploying and aligning assets to establish a region's most competitive position in the new economy. It adapts the discipline of private-sector business planning to the task of catalyzing regional economic growth, providing a framework through which regional business, civic and government stakeholders can objectively analyze the assets, challenges and competitive position of their region, identify mutually reinforcing strategies that build from and create synergies between shifting traditional and emerging economic activities, and launch transformative enterprises to implement the strategies, changing the region's economic trajectory.

Metropolitan economies grow, by definition, by increasing the total value of goods and services produced by local firms. In the new global economy, five market levers account for the efficiency and productivity of regional economies.

The five market levers that interact to define the characteristics, opportunities and performance of a regional economy:

- Enhance **industry clusters and concentrations**
- Develop and deploy **human capital** aligned with jobs
- Foster **innovation and entrepreneurship**
- Improve **infrastructure** and the efficiency of the built environment
- Create effective **public and civic institutions**

The Metropolitan Business Plan produces a shared roadmap for the region, aligning existing and new initiatives around a common vision. It represents an ongoing enterprise, geared toward action, that creates an integrated set of growth strategies and begins to identify a portfolio of potential new initiatives to build upon and leverage existing efforts.

Coordinated execution of identified strategies and implementation of targeted initiatives will achieve synergies and magnify growth across all parts of the Milwaukee region's economy.



FRAMEWORK FOR ECONOMIC GROWTH

The global economy is undergoing a dramatic transformation that favors metropolitan regions, where assets concentrate and their dynamic interactions enable greater efficiency and productivity. A region that identifies its path to participate successfully in that transformation – intentionally building on its unique assets – will forge ahead.

▶ NINE STRATEGIES SET A NEW COURSE FOR REGIONAL PROSPERITY

Reflecting the assets, challenges and opportunities revealed in the market analysis and business planning process, an integrated set of nine strategies are proposed for moving the Milwaukee region forward on the path to new-economy growth.

Each strategy is designed to increase the productivity of local firms by leveraging the region's unique strengths, taking advantage of its emerging opportunities and addressing its most critical challenges. These strategies are deliberately crafted to cut across market levers and be mutually reinforcing: through coordinated implementation, their impact will be enhanced. Together they build upon current assets and momentum to enable the Milwaukee region to realize its potential to become a leading place to do business in the next economy, and a thriving, prosperous and dynamic region.



Strategy 1: Become a leading innovator, producer and exporter of products and services related to ENERGY, POWER & CONTROLS

Three trends are anticipated to create future growth opportunities in the energy, power and controls cluster:

- ▷ The resurgence in US manufacturing will likely lead to greater demand for industrial automation and controls equipment and systems in domestic facilities.
- ▷ Expanding investments in electrical power infrastructure averaged \$63.9 billion per year between 2001 and 2010.
- ▷ The building energy efficiency industry is projected to grow more than 50% over the 2011 to 2017 period, increasing expenditures to nearly \$104 billion annually worldwide.

The region's energy, power and controls cluster is large, highly concentrated and export-intensive. It is comprised of three industry segments: electrical equipment; instruments & controls; and other electrical equipment. The regional cluster includes more than 200 establishments and nearly 19,000 employees.

The Milwaukee region is well positioned to grow its energy, power and controls cluster given its array of global leaders in critical segments of the cluster, including Rockwell Automation and Eaton (industrial and automation controls); Cooper Power and Waukesha Electric (power infrastructure); and Johnson Controls (building energy efficiency).

A collaborative network of companies and academic institutions has formed the Mid-West Energy Research Consortium (M-WERC, a recent expansion of the Wisconsin Energy Research Consortium), and one-on-one university-industry partnerships such as the University of Wisconsin-Milwaukee/Johnson Controls Partnership in Energy Research are similarly creating more capacity and innovation in the cluster.





Strategy 2: Become a global hub for innovation and start-up activity in WATER TECHNOLOGY

The water technology industry is a large and growing market, both domestically and internationally. The US market for water and wastewater services and products is estimated at \$139 billion in 2012, up 3.8% from the prior year, while the global market is nearly \$500 billion.

The Milwaukee region's access to the Great Lakes – 21% of the world's surface fresh water – provides several economic advantages. The region has a competitive edge in attracting and growing water-related industries, which benefit from close proximity to this plentiful resource. Between 130 and 150 water-related companies are located in the Milwaukee region, including five of the 11 largest water firms in the world. Similar to other industries in the “green” space, the water technology industry includes a broad spectrum of products and services, with industry strengths in pumps, meters, boilers and valves, which in aggregate employ 3,600 workers.

The Milwaukee region is also home to world-class research institutions, making it a world hub of water technology, research and policy. The University of Wisconsin-Milwaukee School of Freshwater Sciences is the only graduate school in the nation dedicated solely to the study of freshwater. UWM's Great Lakes WATER Institute is the largest academic freshwater research facility on the Great Lakes.

The 100+ corporate members of The Water Council continue to build on these competitive advantages to establish the region as a global hub for water-related research and development, company formation and human capital development. The Council has several initiatives underway, including the Global Water Center, focused on water research and business acceleration; the Global Freshwater Seed Accelerator; the Industry/University Cooperative Research Center, which brings together two universities in partnership with six regional firms; and creation of a water-relevant curriculum for five campuses in the University of Wisconsin system.





Strategy 3: Leverage the region's geographic, supply chain and human capital advantages to grow the FOOD & BEVERAGE CLUSTER

The Milwaukee region's food and beverage cluster is large, concentrated and growing in export activity. The core of the cluster – food manufacturers, processors and artisans – is comprised of more than 300 firms and employs approximately 14,000 people, creating one of the strongest concentrations among major US markets. The region is also home to nearly 6,800 workers in industry segments that support the core, including food products machinery manufacturing and food and beverage distribution.

Nationally, food and beverage manufacturing growth is projected to be strong over the 2010 to 2020 period in both employment and output, based on demand for functional, organic and locally grown foods. The Milwaukee region's food and beverage manufacturing assets align well with expanding domestic and international markets.

The Milwaukee region exhibits supply-chain advantages in growing a competitive food and beverage cluster, given its natural symbiosis with the vast quantities of crop-based, dairy and animal products generated throughout Wisconsin. These agricultural outputs continue to drive a regional strength in ingredient manufacturing (ranging from seasonings to enzymes). The state of Wisconsin's food manufacturers exported \$1.7 billion in 2012, an increase of 156% since 2005.

This cluster also has the advantage of a formal cluster organization: the Food and Beverage Milwaukee (FaB) network, composed of more than 50 firms working together to enhance cluster growth by focusing on the areas of talent, innovation and business development. Initiatives underway or being planned by FaB include a pilot career awareness program at a public high school, tailored technical college curricula, a career resource center, industry directory and a small business accelerator program.





Strategy 4: Enhance the EXPORT CAPACITY AND CAPABILITY of the region's firms, focusing on small- and medium-sized enterprises

Given that the majority of the world's purchasing power is outside the US, and a disproportionate share of global economic growth over the next decade will occur beyond US borders, increasing export activity is imperative to the economic future of the Milwaukee region.

The opportunity to engage more of the region's companies in the international marketplace is significant – the region does not export at a level commensurate with the size of its manufacturing economy, and the bulk of export activity is occurring within a very small number of large firms. The region has all of the necessary components already in place to support the development of a broader export base, and sizable opportunities exist to expand and strengthen exporting by the region's manufacturers and service providers, especially small- and mid-sized firms that are either new to exporting or lack the capacity to expand their current export programs.

Components of this strategy include:

- ▷ Improving alignment of regional resources around exporting
- ▷ Supporting small- and mid-sized firms in developing export strategies and plans
- ▷ Leveraging large firms as catalysts to mentor smaller companies in exporting
- ▷ Exploring opportunities for expanding service exports – establish a baseline model
- ▷ Advocating for export policy as a critical success factor in regional development



Strategy 5: Align WORKFORCE DEVELOPMENT with growth opportunities in targeted, high-potential industry clusters

Perhaps the most critical factor for increasing the productivity – and therefore overall growth prospects – of the region’s clusters is to upgrade and better align the skills of the workforce with the occupations that are and will be demanded by employers. Increasing the number and type of “on-ramps” to labor force participation and articulating paths to upward mobility, particularly for the region’s core city and minority populations, will also enhance economic growth by more effectively deploying the region’s full spectrum of human capital assets.

Key elements of this strategy include:

- ▷ Augment the quantity and quality of information – including real-time data – available to the education and training system to improve regional intelligence regarding the demand for and supply of particular skill sets (across the spectrum of low-, middle- and high-skilled occupations) in the region’s priority clusters
- ▷ Strengthen the feedback loop between employers and workforce development providers to enable better alignment of training curricula with workplace needs – building, for example, off of efforts such as FaB’s employer engagement and curriculum development
- ▷ Articulate cluster-specific career pathways and create certification and credentialing programs to enable more robust firm-worker matching and upward career mobility for low- and middle-skill workers
- ▷ Identify the need for and develop rapid up-skilling programs to assist workers in upgrading and redeploying their skills into emerging occupational opportunities – building, for example, off of the technical colleges’ sector-specific “boot camp” programs
- ▷ Leverage limited state and federal resources by promoting coordinated application for and use of available funding by system providers



Strategy 6: Foster a dynamic, richly networked INNOVATION and ENTREPRENEURSHIP ECOSYSTEM

The Milwaukee region is at a critical inflection point in the development of its innovation and entrepreneurship ecosystem. There is significant momentum among private, public and institutional actors that must be deliberately leveraged to boost rates of new firm creation and build the competitive advantage of existing firms.

The region's high-priority clusters present ample opportunities for innovation and entrepreneurship, including new processes and products to further accelerate already-strong clusters' growth trajectories, opportunities for legacy clusters to redeploy their resources into new products and markets, and creation of entirely new products and services in emerging clusters.

Key elements of this strategy – all of which are mutually reinforcing – include:

- ▷ Strengthen industry-academic partnerships to better align institutional R&D agendas with industry needs
- ▷ Stimulate university technology transfer to bring more institutional R&D to market through commercialization in existing firms and spin-off of new companies
- ▷ Enrich the array of technical support, funding and other resources (e.g., incubation facilities) available to emerging innovators and entrepreneurs in the region's high-potential clusters
- ▷ Augment capital resources available to regional entrepreneurs, focusing on early-stage ventures as well as those in the fast-growth, scale-up stage of development
- ▷ Accelerate adoption of new technologies in more mature industries, facilitating their transition toward the next economy
- ▷ Promote creation of dense, mixed-use, well-connected districts – centered around particular technologies, innovation- and entrepreneurship-enabling facilities and/or high-potential clusters
- ▷ Enhance the visibility of entrepreneurial activity, encourage creative problem-solving and elevate risk-taking as a cultural norm through competitions, hack-a-thons and other contests
- ▷ Cultivate a densely networked, integrated and dynamic ecosystem of regional actors driving innovation and entrepreneurship



Strategy 7: Catalyze “ECONOMIC PLACE-MAKING” in the region’s core cities and strategic locations throughout the region

The physical development pattern in the Milwaukee region reflects its old-economy history and needs to be reshaped to align with the drivers of growth in the more dynamic, knowledge-intensive next economy. The region must streamline the movement of goods, people and ideas throughout the region; reconnect its underutilized human capital assets to economic opportunities; and better leverage its strategically located land assets to foster growth in the new economic environment.

The shift in regional development patterns has begun to take place through, for example, the Menomonee Valley, Pleasant Prairie, Pabst Farms and the UW-Milwaukee Innovation Park. Catalyzing additional development that follows the next-economy principles of density, mixed uses and strong physical and virtual connections between residential and commercial activity will further accelerate the region’s growth.

Key elements of this strategy include:

- ▷ Enhance physical (e.g., transit) and virtual (e.g., broadband) connections between nodes of economic activity throughout the region, including between workers and firms and across supply chains, and particularly focused on currently under-served geographies in the region’s core cities and outlying counties
- ▷ Create policies, programs and incentives that promote evolution of the region’s built environment toward a constellation of well-connected, dense, mixed-use communities – e.g., foster infill development, walkability, transit access, etc.
- ▷ Promote strengthening and creation of dense, mixed-use, well-connected districts – focused around particular technologies, innovation- and entrepreneurship-enabling facilities (e.g., incubators, co-working spaces, etc.) and/or high-potential clusters

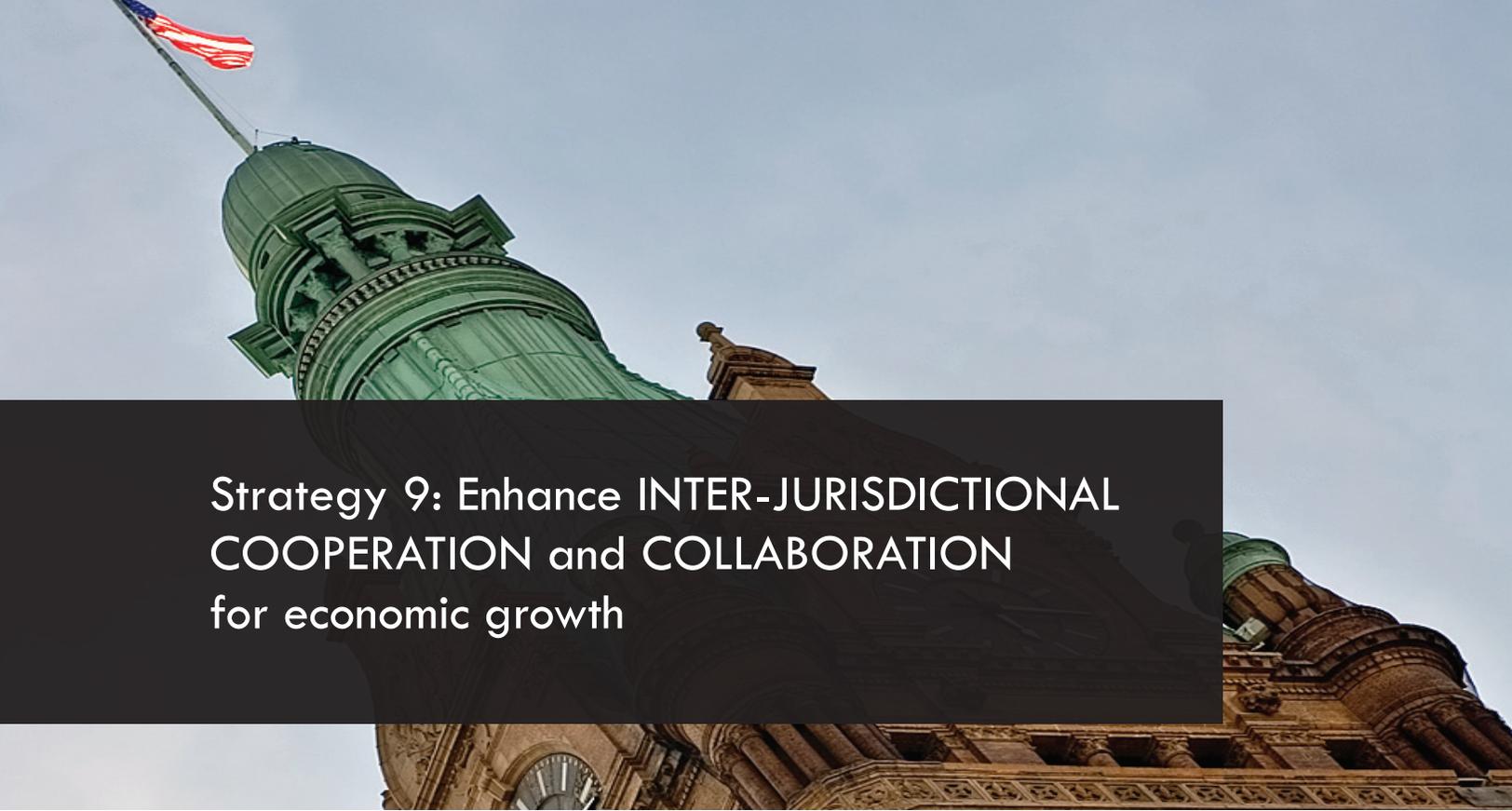


Strategy 8: Modernize REGIONAL INFRASTRUCTURE to enhance efficiency, cost-effectiveness and connectivity

High-quality infrastructure, including a mix of transportation, broadband and reliable energy, contributes to the region's economic growth by enabling enhanced productivity of private-sector firms. The role of transportation infrastructure – facilitating the efficient movement of people and goods into, out of and within the region – is particularly critical. Strategic investments to improve the existing transportation network will better connect workers to employers, suppliers to customers and headquarters to their facilities in other regions and nations. By lowering firms' costs of doing business and enhancing the ability of workers to access well-matched jobs, the region will become a more competitive location for doing business. While transportation infrastructure is the current emphasis of this strategy, other types of strategic infrastructure investments (e.g., broadband upgrades, green infrastructure, etc.) should be pursued as needs arise.

The primary elements of this strategy are:

- ▷ Upgrade and strategically expand public transit to provide more direct and timely access between residential and job centers. Preserve, improve and strategically expand service based on current and projected growth patterns for both housing and employment and evaluation of which locations could most benefit from service improvements.
- ▷ Rebuild the aging freeway system to reduce congestion, improve safety and address design deficiencies.
- ▷ Maintain and improve commercial air service at General Mitchell International Airport (GMIA) to serve the needs of regional businesses, including particularly the headquarters and business services cluster, which tends to be among the most travel-intensive. Expand and upgrade airport facilities as needed to address the changing demands of airlines and passengers.
- ▷ Enhance the cost-efficient movement of freight by improving water travel through the Port of Milwaukee as well as freight rail travel through projects such as the Muskego Yard bypass or a regional intermodal facility.
- ▷ Enhance the connection of the Milwaukee region to Northeastern Illinois



Strategy 9: Enhance INTER-JURISDICTIONAL COOPERATION and COLLABORATION for economic growth

Government fragmentation and disjointed approaches to economic development activities hamper growth potential in the Milwaukee region. These conditions create a complicated and costly environment in which to do business, and foster intra-regional competition that results in sub-optimal outcomes for the region.

To reduce these institutional barriers to economic growth, this strategy includes three primary components:

- ▷ **Eliminate duplication and achieve more cost-effective, efficient and streamlined provision of government services.** Government efficiency fosters economic growth by improving the tax-value proposition for firms (i.e., they reap more value for their tax dollars). The Intergovernmental Coordination Council and others have identified and begun to execute shared services initiatives across the region. These efforts should be bolstered to identify further opportunities to better coordinate public services and align policies in ways that reduce costs.
- ▷ **Identify and leverage economic growth opportunities and connections across jurisdictions.** Regional leadership should proactively seek out opportunities to pursue collaborative economic growth projects that cross jurisdictional boundaries and benefit the broader seven-county region.
- ▷ **Create cross-sector institutional infrastructure to manage the regional economy.** The next-economy environment requires collaboration among actors from across the public, private and civic sectors – often with one of the latter two in the lead – to develop strategies and initiatives, manage implementation and monitor performance of the regional economy. Continued emphasis should be placed on strengthening civic engagement and creating the extensive, nimble networks that can adapt as necessary to address economic challenges and capture opportunities.

▶ IMPLEMENTATION AND NEXT STEPS

This plan is a living document that supports an ongoing approach to understanding and managing the region's economy. The primary goal of the planning process is not the plan itself, but rather the portfolio of strategies that are developed to shape the region's economic trajectory and particularly the concrete projects and enterprises that are executed to implement the strategies.

The next set of work proceeds along two closely related, often overlapping, tracks:

ONGOING INSTITUTIONAL CAPACITY

- ▷ “Socialize” the plan with stakeholders to gather input and gain buy-in
- ▷ Create institutional infrastructure to carry the plan forward (leadership/steering committees, strategy-specific working groups, etc.)
- ▷ Define roles, responsibilities and a process framework for implementation, including to: identify/execute initiatives, monitor progress/performance of implementation efforts, revisit/refresh analysis and strategies over the long term, etc.

DEVELOPMENT AND EXECUTION OF INITIATIVES

- ▷ Identify existing initiatives that best support implementation of the plan's strategies and identify (a) resources to scale them up, and (b) other initiatives with which to coordinate/integrate efforts
- ▷ Develop concepts for new initiatives that supplement and build upon existing activities
- ▷ Determine accountability/ownership for initiatives, undertake detailed business planning and begin implementation
- ▷ Throughout the development process, potential initiative ideas have surfaced that provide a starting point for considering new enterprises, including:

CALL TO ACTION

The Milwaukee 7 Framework for Economic Growth is the first step on the path to accelerating the Milwaukee region's economy.

Implementing this plan to reach our vision of being globally competitive in today's innovation economy will require the involvement of many stakeholders from around the region. We invite you to join us and get involved!

