



2010 Indy Partnership
Annual Meeting Keynote Address

Presented By

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“The Urbanophile” • www.urbanophile.com

March 23, 2010

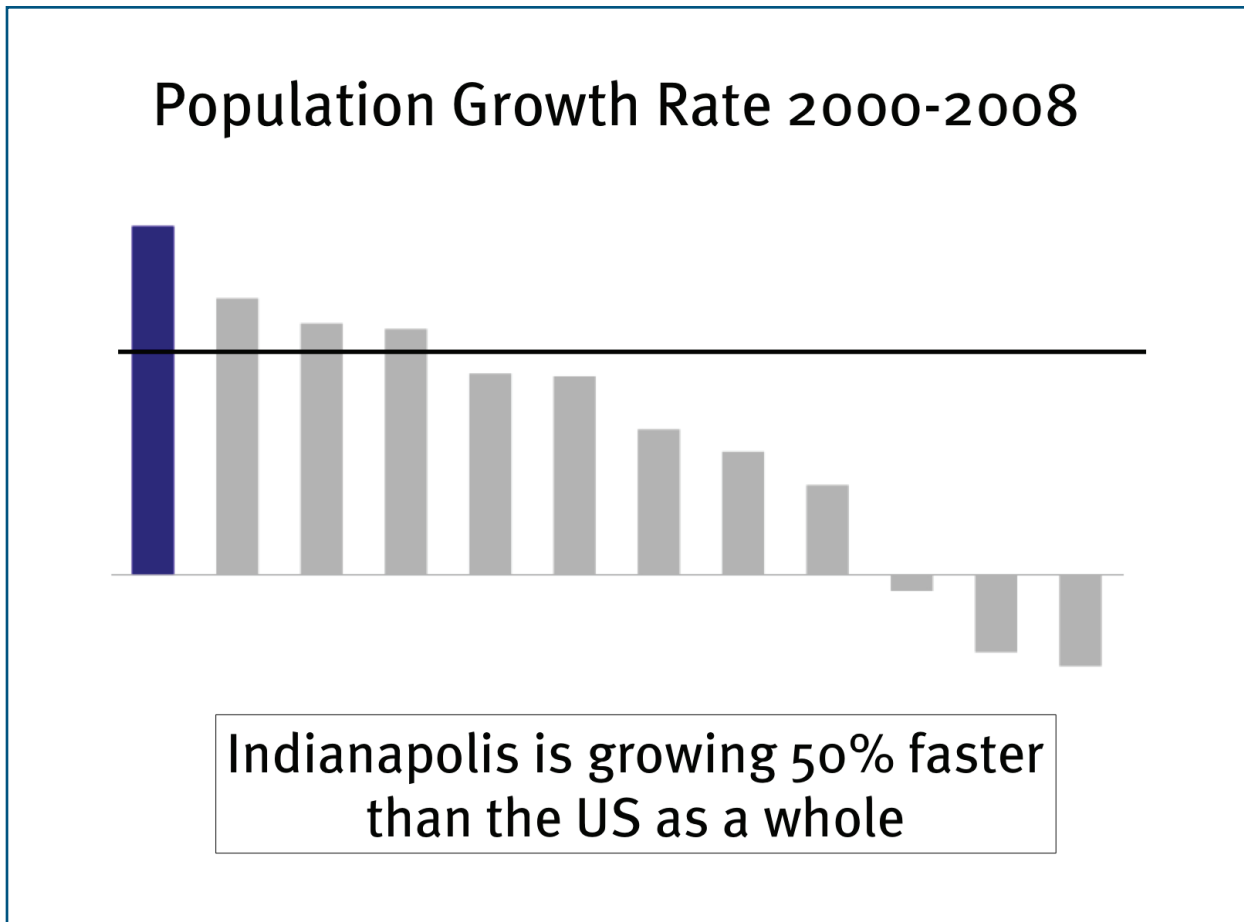


The theme of today’s meeting is “Changing the Game.” I’ll share a few ideas for that today in three main areas: setting a higher competitive bar, microclusters, and getting serious about human capital.

1. CURRENT PERFORMANCE

But before turning to the future, I first want to take a look at how Indianapolis is doing right now. Most of you are in business, so I suspect that like me you’re aggressive and competitive, and you like looking at the numbers to see how you are doing against the competition. So let’s take a look at how Indianapolis stacks up against the competition here in the Midwest. I’m going to show a few graphs of how we match up against the 11 other metro areas in the region that have a population of more than one million people. I’m not going to put every single number on the screen since that would get too busy, so I’ll just put up a graph in rank order, with Indianapolis highlighted, just to give you a flavor of where the city stands in the league tables.

First, let’s look at population growth. That’s a pretty basic measure. Are you growing? If so, how fast?



As you can see, Indianapolis is number one in population growth—by a lot. In fact, Indianapolis is actually growing 50% faster than the national average, which is that black horizontal bar. So very, very healthy.

But more telling than population growth is a statistic called net migration. This is just what it sounds like. It's the number of people who moved in minus the number of people who moved out. If you think about it, this is really the ultimate verdict on a city. It's people voting with their feet about where they want to live. So let's take a look. Indianapolis is number one again. I'm beginning to notice at trend already. A net of almost 65,000 people moved to Indianapolis in the first eight years of the last decade. That's the equivalent of the entire population of Fishers packing up from where ever they are and moving to Indy. It's more than twice as many as the next nearest city on the list. And as you can see, the Midwest is a place most people want to move away from, but not here, not this city. Indianapolis is a place where people want to be, to plant their flag, seek their fortune, and build a better future for themselves and their families.

Total Domestic Migration 2000-2008



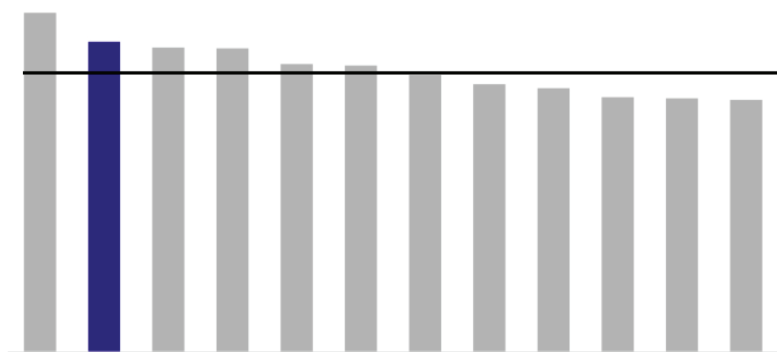
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Moving on to the economy, next I'll show GDP per capita. Just like with the national figures, this is a measure of economic output per person. How much economic value are you creating?

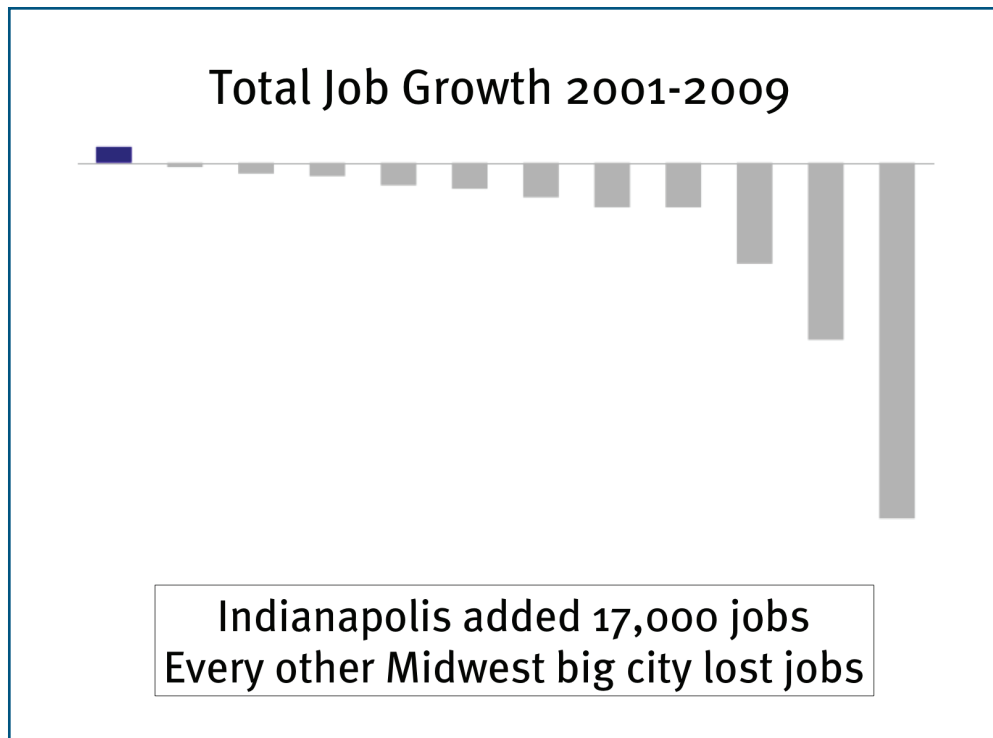
Indianapolis is number two here. Ok, you can't win them all. But this is a very important graph. Indianapolis is a low cost place to do business by American standards. And I think sometimes we assume that means Indianapolis must have some kind of a low end economy, but that's not true. Indianapolis is a high value, high output economy that's beating the US metro average by 11%.

2008 Metro GDP Per Capita



Indianapolis is 11% higher than US metro average

Last, since this is an economic development event, let’s look at the ultimate economic development statistic—job creation. How many jobs is your city creating? Indianapolis: number one. Indianapolis



created 17,000 jobs in the last decade. What’s amazing to me is that the other 11 cities between them didn’t even create one job, not even one. Every other city on the list lost jobs in the last decade. Now 17,000 might not sound a lot, and I’m sure we’d all like it to be better, but the entire country had a sort of “lost decade” of job creation, and that result is pretty incredible, all things considered.

Taking a look at these numbers—population

growth, migration, economic output, job creation—there’s only one conclusion that you can draw, and that is that Indianapolis is #1, period.

So I think some congratulations are in order to Ron Gifford and the entire IndyPartnership team, and all the other economic development professionals here in Central Indiana. These folks know what they are doing. More importantly, they are executing and delivering results.

2. SET A HIGHER COMPETITIVE BAR

But before we start feeling too good about ourselves here, I’ll make my first point about the future, which is that Indianapolis should set a higher competitive bar. Indianapolis is beating the rest of the Midwest, but you know what, it should be. It’s no secret this is a struggling region of the country, with a lot of cities that are hurting big time. Being happy about being the “Diamond of the Rust Belt” is a bit like getting excited winning the losers’ bracket in the JV playoffs again this year. It’s a low hurdle to jump.

Indianapolis has already shown that it is the king of Midwest. Now it is time to graduate, and move up to the next level of competition. Set the sights higher. Going forward, Indianapolis should start benchmarking itself against the places at the top of the charts nationally, against cities like Austin, Nashville, Raleigh, Denver, and Portland.

Name That City		
	City A	City B
Domestic Migration	4.2%	5.4%
GDP Per Capita	\$46,450	\$47,811
Job Growth	2.2%	1.1%
Unemployment Rate	8.5%	10.6%

So I want to do one more city comparison here today. Let's play a game. It's called "Name That City". I'm going to show some data for two cities, and you guess who they are, got it? Ok, let's take a look.

As you can see, City B has higher in-migration than City A. It also has higher economic output per person. But City A is growing jobs at twice the rate of City B, and has a lower unemployment rate. Any guesses?

It's Indianapolis and Portland, Oregon. For those who don't know, Portland is the darling of the urban intelligentsia, the city that by popular acclaim is doing everything right. They have light rail lines, the highest percentage of people who bike to work, the most coffee shops and microbreweries per capita. They also have a huge location for Intel, the chip maker, and are the HQ of Nike, and so on.

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	Indianapolis	Portland
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Portland may be doing some things right, but you know what? Indianapolis is doing some things right too. Like creating jobs, where it's actually doing a much better job than Portland.

The point is not to pick on Portland. Make no mistake about it, Indianapolis needs to be learning some lessons from Portland. The point is that Indianapolis **can** compete, Indianapolis **is** competing, and Indianapolis does not have to be afraid of measuring itself against the top cities in the United States.

Set a higher competitive bar. Benchmark against the best. Because Indianapolis has the ability to compete at the highest levels in the national economic development race. The first game to change, is who you want to play against.

3. MICROCLUSTERS

My second point is about microclusters. I want to stress I'm not criticizing the existing cluster strategy. Obviously, the strategy is delivering results. This is about how Indianapolis can build on what it is doing today to take its cluster strategy to the next level over time.

The idea is to try to find new microclusters. What do I mean by that? When he was president of GE, Jack Welch famously said he only wanted to be in a business if he could be #1 or #2. Similarly, Indianapolis should look for additional focused areas where it can create a truly market dominant position, because this is where the biggest benefit is to be found.

The good news is, Indianapolis and Indiana already has some of these. The best known example is the orthopedics microcluster in Warsaw within the broader life sciences sector. It is #1 in the United States in orthopedics with three of the four major US firms and many other related companies. Or think about motorsports, which employs almost 10,000 people at an average wage of around \$50,000 per year, and where Indianapolis is one of only two major centers in the US. Or think about the sports events business, where 35 years after Indianapolis basically invented the industry, it's still at the top of the heap.

Indianapolis is fortunate to have these and I believe that's one reason the city has really differentiated itself. I'd just like to see 5 or 10 new ones just like them. Obviously, the government and local leaders can't just snap their fingers and make this happen. That only happens in the free market, through entrepreneurship and business expansion. But civic leaders can play a key role in helping to identify possibilities and create a fertile environment for these clusters to take root and flourish. Initiatives like Biocrossroads, Conexus, and TechPoint have proven that.

So what might some possible microclusters be? I'll give you two live possibilities. One, we are already seeing the emergence of a microcluster in internet marketing. Obviously Exact Target is the big success story here and gets a lot of headlines. But Doug Karr, a local entrepreneur in the space, did a market scan and found over 50 companies in the space locally. This is an example of how Indianapolis can win in high tech. Indianapolis is never going to displace Silicon Valley as the epicenter of generic high tech. But for areas where it can marry high tech with its own unique capabilities, in this case marketing expertise, there is plenty of room to carve out areas where Indianapolis can claim a dominant position within high tech. Indianapolis needs to **own** internet marketing.

Another idea that occurred to me is around remote health care, distance health care, virtual health care, however you want to describe it. We know there are challenges in rural and small town health care, and in health care in developing nations, etc. And we know we have a cost problem. Indiana's unique geography lends itself well to being the place where technology and business processes can be developed to address both cost and quality of care through partnerships between urban and outlying health care providers. Why?

1. Indianapolis is the only big city in the state, with by far the greatest concentration of high-end health care resources.
2. It is located in the center of the state, which is perfect.
3. It has enough hospital networks to have competition, which is good, but not so many that they can't cooperate for better patient health. We've already seen that with the Indiana Health Information Exchange, which is exactly the sort of thing I'm talking about.
4. And these networks are extending their reach into smaller cities and rural areas in Indiana. This lets them deploy new money saving and health benefitting technologies and processes with less friction and fewer turf battles.

I think this unique combination of geography, city size, and statewide networks provides an opportunity for Indianapolis and Indiana to figure this out faster and better than anyone.

4. GETTING SERIOUS ABOUT HUMAN CAPITAL

Lastly, I want to talk about getting serious about human capital. Harvard economist Ed Glaeser studied what made cold weather cities successful and found that it could overwhelmingly be explained by only one variable, the percentage of adults with college degrees as of 1960. Now there's actually nothing magical about that date. You could pick 1940 and get basically the same result. The key is that college degree attainment is overwhelmingly determinant in urban success.

An organization called CEO's for Cities crunched the numbers to find out what it would mean for cities if they could increase their college degree attainment by just 1%. They call the resulting economic impact the "Talent Dividend", a term you may have heard of. For Indianapolis, the Talent Dividend is \$1.3 billion dollars a year. That's right, Indianapolis would receive an economic benefit of \$1.3 billion every year if the region increased its college degree attainment by just 1%.

Now if I had put up a chart of college degree attainment nationally earlier, Indianapolis would have been in the middle of the pack. Not bad, but not great either, and certainly not where it needs to be to compete in the industries it is targeting. So despite that big inflow of people, there is still plenty of work to do.

It is imperative that Indianapolis increases its educational attainment across the board. This means a mix of both educating its current residents—not just in traditional university, but also K-12 education, vocational-technical training, corporate training—and also attracting new residents. I'll leave education for another day, and will focus on attraction. How do you attract residents, particularly top talent and people with college degrees?

Attracting people is no different from attracting businesses. To attract business you need a good business climate and aggressive recruitment. It's the same for people. You need a good "people climate" and aggressive recruitment.

What makes a good people climate? In some ways, it's the same things that make a good business climate. All things being equal, low costs and easy living beats high cost and hassles any day. Indianapolis is great here. It's the lowest cost big city housing market in America, and has a solid economy as we saw before. That's great.

But with cities all things aren't always equal. Choosing a city to live in isn't like buying laundry detergent. It's more like buying a house. It's an emotional purchase. I'm guessing most of you aren't living in the cheapest house you could find. More likely the opposite - you live in the most expensive house you could afford, in the best neighborhood, with the nicest amenities, the best schools, etc. Yes, price was a factor, but it wasn't the only factor. When it comes to cities it's not just about the price, it's also about the product.

Indianapolis has to be selling a product that people will want to buy on its own merits, not just because it is the cheapest on the market. Cities, like houses, need to have curb appeal. They have to have amenities, they have to look good. That's particularly true in Indianapolis, where it's flat, there are no beaches and no mountains, and the weather is what it is. The built environment, what we create, counts for more here. So we have to get it right.

The great news is that the city is already doing good things here. We are seeing it in things like the Cultural Trail, which is first class in addition to being totally unique and innovative. And the new airport terminal, which is the best in America. And don't just take my word for that, take the traveling public's word for it. That's what JD Power and Associates did when their consumer survey ranked Indianapolis International the best airport in the entire United States. Staying with our house analogy, the new airport is an entryway the city can be proud of. This is what we need to be building.

That doesn't mean the city should forget about costs. Indianapolis has to keep a keen eye on the bottom line. This isn't New York City. People aren't going to pay any price, bear any burden for the privilege of living and working here. But often it is more a matter of will than of money. The Cultural Trail isn't costing a penny of local tax money. You may have seen it just got a \$20 million discretionary federal stimulus grant. Without doing that project, this community would not have seen one penny of that money. A new airport terminal would have cost a billion whether it was any good or not. Indianapolis is already spending money on projects, the key is to get the value out of them. Indianapolis must bring a focus and commitment to excellence in design and maximizing the value per dollar to everything it does. Look at the airport terminal. Make sure the city achieves the same level of quality, excellence in design, and attention to detail every time out on the field.

But once you have that product, how do you sell it? You have to have a good story to tell. You have to create an aspirational narrative of life in this city that people who don't live here yet can imagine themselves being a part of. Think about New York City. TV shows like Seinfeld, Friends, or Sex and the City have created an image of what it is like to live in New York, even for people who've never visited it. What comes to mind when you think of Portland? You think people out hiking the mountains, hipsters riding their bikes, people drinking microbrews. What does Indianapolis bring to mind? What's the unique story about life in this city that's different from everywhere else? That's the narrative the city needs to create, and figure out how to get out there into the world.

This is where my previous suggestions help. Think about setting a high competitive bar. Smart, talented, ambitious people, people with big dreams and plans for themselves want to live in a city where the civic aspiration matches their personal aspiration, not in a place where good enough is good enough. The labor force of the 21st century is in demand. Top scientists, top researchers, and internet entrepreneurs have choices about where to live. When you set a high competitive aspiration for your city, you're sending them a powerful message that this is place where important personal and professional ambitions can be realized. That's the anchor for your narrative.

There's one other narrative that needs to be created. This one is for local consumption and it is one that almost every city overlooks. Since the benefits of attracting the college degreed are so high, cities tend to focus on that. But what about the people without degrees? Less than 20% of adults in Indiana have a college degree. What about the other 80%? What's it in for them in these progressive urban policies? Many of them are hurting right now, and I think they have a right to be skeptical about policies that seem to be focused on the most privileged in society. So we have to show the benefit to them and answer the questions.

Why should we be investing millions of dollars in Conexus and Biocrossroads? Why does it matter that corporate executives can have a steak dinner and a good time downtown? Why should we be investing millions of dollars in pharmacy education at Butler and Purdue, to produce graduates who will earn six figures the minute they walk out the door? Well, if you are a single mother in Clinton County with a high school diploma who can get a good job as a technician at Medco, it matters to you, that's why.

That's the type of story we need to be able to tell. To make it real to people why these forward looking policies are good for all Hoosiers. These stories have to be told, told loudly, and told often. The good news is that Indiana has a story to tell. Unlike some other places, where there are lots of high value jobs, but little else, Indiana can create a broader spectrum of jobs and build a real middle class economy for the 21st century.

Quality product, high aspirations, narrative, cost, and quality of life. Those are a few of the things that go into creating a good people climate.

As for recruitment, clearly almost no city puts even half the effort into people recruitment that they do into business recruitment. This gives Indianapolis an opportunity to step up, claim a leadership position, and get really, really aggressive about bringing talent to town.

5. PUTTING IT ALL TOGETHER AT THE IMA

Setting a higher competitive bar, microclusters, and getting serious about human capital. Where is an example of where it is all coming together today? One place is right here at the Indianapolis Museum of Art. I don't know if you've been following the IMA, but the IMA has seriously elevated its ambition level. The IMA is not content just to be a well-regarded regional art museum. It wants nothing less than to carve out a place for itself and this city on the national and international art world stage. How's it doing that? It's doing it by finding focused areas where it can claim a leadership position; including transparency and museum ethics, such as its internet database of art works proposed for deaccessioning; online video with its Art Babble platform, that has top tier museums like the Metropolitan Museum of Art in New York have signing on to the IMA's platform; and the interaction of art and nature with the Art and Nature Park opening soon. And they are doing this while not just maintaining but extending their commitment to being an indispensable part of the cultural life of Indianapolis, as the programming that goes on right here in the Toby Theater every week will attest. All this is a big part of delivering and creating a great people climate in the city—of making it a place people want to live—and it's working. The IMA has been getting great press in tier one publications like the New York Times and the Wall Street Journal. And best of all in my book, they're doing it without breaking the bank. So congratulations to Max Anderson and the entire IMA crew for what they are doing to help put this city on the world cultural map.

6. IN CLOSING

I want to leave you with one final thought about what makes Indianapolis so different from other Midwest cities. If you look at most of them, they had their glory days in the past. We all know what's happened to Detroit. Cleveland used to be the 6th largest city in America—it's now 41st.

Cincinnati was the colossus of the riverboat era. They called it the “Queen City” of the West. That was in the 1800’s. Chicago—it’s not even the Second City anymore. It’s not that these are bad cities, and I believe all of them can create a prosperous future for themselves. But no matter what they do, their best days will forever be behind them.

But Indianapolis is different. Indianapolis has never been a bigger, more important, more influential city in America and the world than it is today. Indianapolis is only now just coming into its own as a great American city. While other cities try to turn around decline, Indianapolis is like that rocket that is still on the way up. This city’s best days are still ahead of it, and I think that makes all the difference.

I truly believe Indianapolis is positioned to be one of the places that can define what it means to be a successful American city in the 21st century. The big winners of the 21st century are yet to be chosen. Indianapolis can be one of them if it is wants to be, and it’s willing to do what it takes to step up and claim that prize.



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