

People – Not Just Technology – Drive Urban Economic Development

Michael Wong 08 December 2014

Technology hubs occupied 13 of the top 25 slots in the Milken Institute's Best Performing Cities 2013 report. With these kinds of numbers, one might easily assume that technology alone is the key to transforming a city's prospects for economic development. But technology, while important, is only part of an holistic approach to making cities smarter and better places to live. The other critical component is human expertise directed by innovative strategies and partnerships to overcome societal challenges that cannot be managed by any single sector. In her remarks below, IBM Global Citizenship Initiatives Vice President Diane Melley details the essential role of human capital in urban economic development.

Q. Some tech firms have driven huge economic value with just a handful of employees. Does their success indicate that technology is ultimately more valuable than people?

A. D. Melley: Technology provides tremendous value for many different entities. But from my 30 years of business




experience, I know that for technology to be a valuable asset, it needs to be part of a well-defined strategy. Think back to the dot-com craze, when it seemed that everyone was jumping on to the e-business bandwagon. A number of companies eventually disappeared, often after overlooking essential human factors in their business strategies. But companies like Starbucks, that have empowered their employees with the ability to successfully integrate customer service with technology assets, have been able to succeed in building differentiated and sustainable brands.


Q. How do leadership lessons translate from selling coffee to running a city?

A. D. Melley: A recent Harvard Business School case study about Starbucks* pointed out a number of key lessons that city leaders might do well to consider. For example, Starbucks' CEO understands that respecting and valuing workers encourages their engagement in the business. The company's investment in healthcare benefits for employees who work at least 20 hours per week is a rarity when most companies only provide benefits for full-time employees, but it's relevant to Starbucks' business model. In addition, support for college education and other employee-centric offerings point to Starbucks' realization, and acknowledgement, of the importance of human capital. Look, there are many other coffee shops and restaurants

that offer free Internet access and affinity cards. But Starbucks has been able to develop their unique recipe of combining human capital with technology and build a loyal fan base of delighted customers. Similarly, city leaders need to figure out ways to tap into their communities to build partnerships and achieve their goals.

Q. How can city leaders reconcile the differing agendas of their constituencies and enable economic development?

A. D. Melley: Prudent leaders understand how to pursue ambitious "and in many cases essential"  goals while recognizing the realities of conflict among their stakeholders. Take Philadelphia Mayor Michael Nutter's  recent STEMcityPHL initiative, for example. Mayor Nutter understands Philadelphia's  competitive position in the global marketplace, not just the U.S. The Mayor knows the breadth of the competitive field for critical resources such as major employers, and he has committed to developing the type of workforce that will attract companies that offer good jobs in high-growth industries.

Mayor Nutter recently championed the development of a citywide STEM strategy to help build a future talent pool of workers who have science, technology, engineering and/or math competencies, which prospective employers desperately need to meet their customers' 

requirements. With a number of existing STEM programs being offered by different entities across the city, the Mayor understood the value of having a single strategy that would address such inefficiencies and leverage all investments across sectors. His team has been able to catalyze a number of Philadelphia entities to support his citywide STEM strategy, and I'm eager to see their continued progress. If Austin, Texas (ranked #1 in the Milken Report), can get Apple Computer to bring over 3,500 jobs to its metro area, it's just a matter of time before Philadelphia does the same and more with its developing STEM strategy.

Q. Given your experiences with human capital development, what are your words of wisdom for city leaders?

A. D. Melley: Investing time in face-to-face, personal engagement is essential. I work for a company that is a leader in many aspects, including technological innovation. Predictive analytics, next-best actions and other innovative technologies all can help drive positive business outcomes, but you need people to lead transformational and sustainable change. IBM worked with the City of Philadelphia on a Smarter Cities Challenge Project to help build a Human Capital Management System called Digital On Ramps (DOR). DOR's goals are to provide all citizens with access to education so that Philadelphia can achieve competitive advantage over

other regions and cities around the world. This type of systemic approach to community engagement and transformation results in real change and lasting outcomes.

* "Starbucks Coffee Company: Transformation and Renewal" <http://hbswk.hbs.edu/item/7593.html>

Michael Wong has over 20 years of strategy, marketing, and sales experience at a number of Fortune Most Admired Companies including Apple Computer, AstraZeneca, IBM, and Merck. His insights have been shared in publications including the MIT Sloan Management Review, Harvard Business School Blog Network, and PM360.