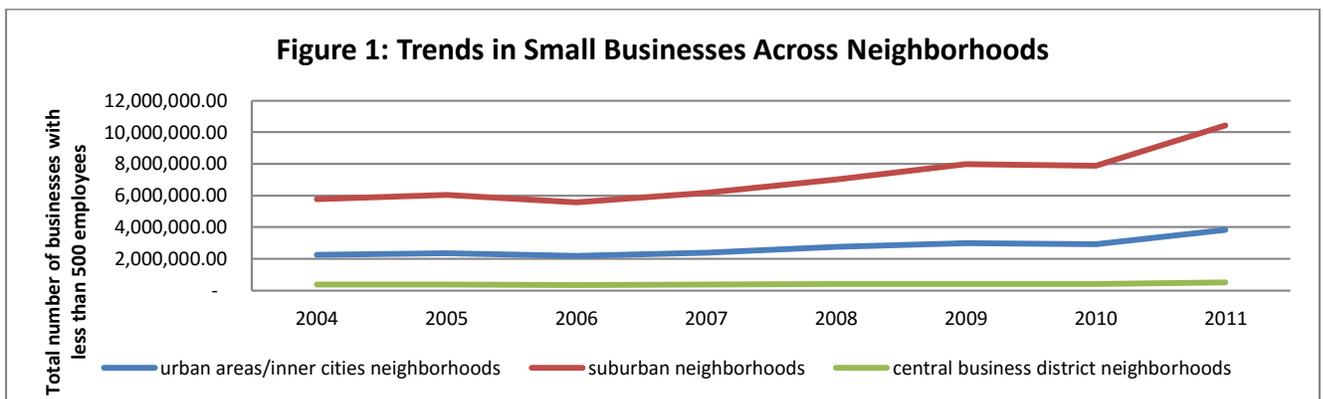


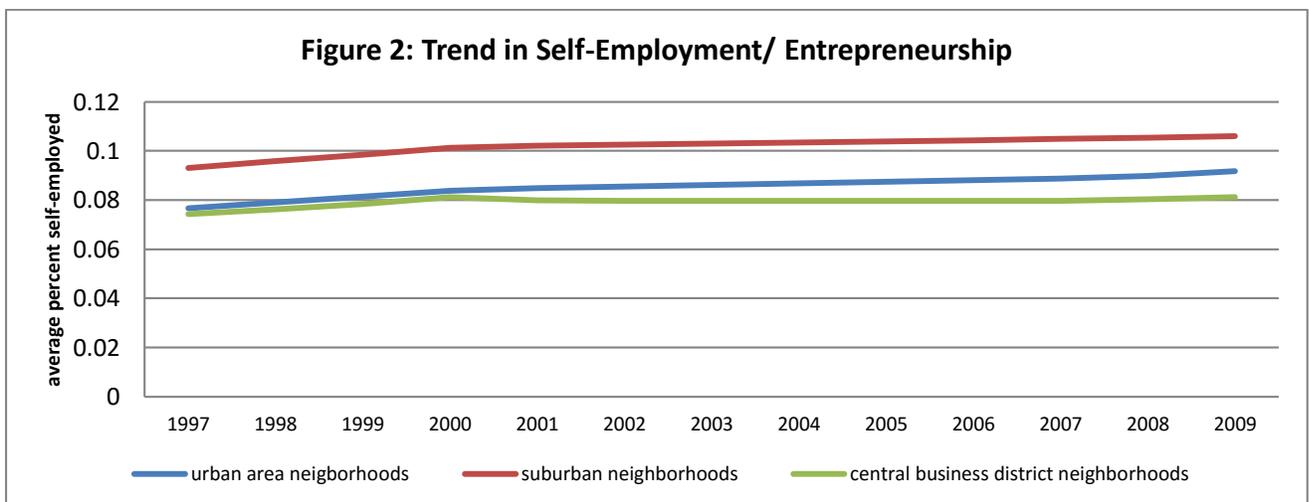
## Designing Entrepreneurial Solutions to Address Urban/Inner City Problems

By Robin Newberger, David Tarver, and Maude Toussaint-Comeau

Encouraging business formation, increasing employment, and improving the quality of life in inner cities are some of the most sought-after but challenging goals for community development advocates working in urban areas. Urban/social entrepreneurs are taking on many of these challenges, designing market-based solutions to address urban problems including in the transportation, education, housing, and safety spheres. Self-employment and small businesses creation (with and without employees) have been on the rise in urban areas, including in some inner cities throughout the country, in many instances at rates comparable to surrounding suburbs. (See Figure 1 and 2 for trends in self-employment and small businesses in the U.S.). Employment clusters in the transportation, health, entertainment, 'eds and meds' anchor institutions, and technology sectors are making inner cities more competitive, and offering opportunities for business expansion particularly responsive to an urban and inner city setting.<sup>1</sup>



Source: Authors' calculations based on Dun and Bradstreet and geocoding analysis of Local Origin-Destination Employment Statistics (LODES) data (Hartley et al, 2015, "Are America's Inner Cities Competitive? Evidence from the 2000s).



Source: Authors' calculations of (imputed) trends based on American Community Survey and geocoding analysis of Local Origin-Destination Employment Statistics (LODES) data (Hartley et al, 2015, "Are America's Inner Cities Competitive? Evidence from the 2000s).

<sup>1</sup> Newberger and Toussaint-Comeau, "Revitalizing Inner Cities: Connecting Research and Practice," November 2015, Chicago Fed Letter No. 346. <https://www.chicagofed.org/publications/chicago-fed-letter/2015/346>

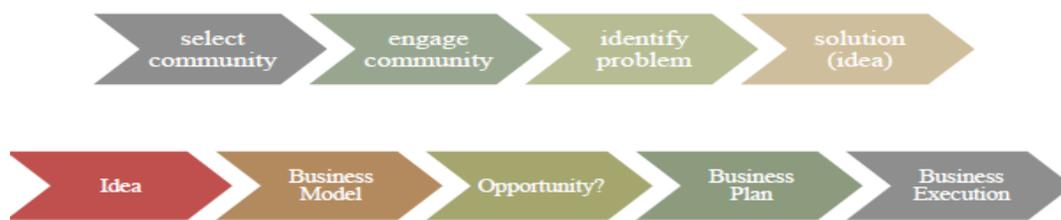
In October 2015, the Urban Entrepreneurship Initiative [hyperlink this]<sup>2</sup> held its annual Urban Entrepreneurship Symposium in Detroit, co-hosted with the University of Michigan, Michigan State University, and Wayne State University, bringing together entrepreneurs, academics, community development experts and funders to discuss the challenges and opportunities in urban inner city areas, and showcase examples where entrepreneurs have turned business ideas into success, creating employment for inner city residents across all skill levels.<sup>3</sup> Most of the discussions centered on contextual problems in Detroit, although the issues are similar in many other U.S. cities.

The premise of the meeting was that urban entrepreneurship is distinct from entrepreneurship more generally, in that urban entrepreneurs often create their businesses with an awareness of a particular urban problem,<sup>4</sup> consistent with the adage that the business owner can “do well while doing good.” This is an emerging way of thinking about entrepreneurship and the business opportunities to be had in inner cities, and the discussions at the conference were designed to showcase this process. In this blog, we summarize some of the main lessons learned from the conference discussions, built around this new urban entrepreneurship paradigm.

### ***Urban Problem Mining***

The new approach to entrepreneurship highlighted at the conference involves mining the intersection of technology, business development and community engagement to bring about greater opportunity within cities. In contrast to standard business training, which emphasizes business plans as the first step in the process, this paradigm encourages entrepreneurs to consider “the problem space” in a given urban setting, and then how to tailor a business idea in a way that addresses these issues. The idea is to get entrepreneurs to think about their work in terms of designing solutions to urban problems. This approach parallels methods that have taken hold in engineering schools across the country, where the focus of learning has moved away from designing products and towards designing solutions.

**Figure 3: Urban Entrepreneurship Model**



©David Tarver, Urban Entrepreneurship Initiative

<sup>2</sup> <http://www.urbanei.org/sample-page/>

<sup>3</sup> <https://www.youtube.com/playlist?list=PLmNrnroyQ30KvLo1XXFkAc5GnuNod7EWfZ>

<sup>4</sup> Osorio, A.E., and B. Ozkazanc-Pan, “Defining the ‘Urban’ in Urban Entrepreneurship: Implications for Economic Development Policy,” Academy of Management Proceeding, January 2014. <http://proceedings.aom.org/content/2014/1/12486>

### ***Shocking the (Urban) World***

Several urban businesses large and small that demonstrate this new type of thinking were featured at the conference. For example, where many see a lack of quality education as a problem in urban areas, urban entrepreneurs have created small tutoring companies that use technology like Google Hangout to reach students throughout the country. At a larger scale, the transportation company Uber has responded to the absence of reliable, flexible transportation in many urban areas by deploying telecommunications and GPS technologies. In Detroit companies like Splitting Fares <sup>5</sup> [hyperlink this] is another ride service based on technology to facilitate communication and transportation. Metro EZ Ride<sup>6</sup> [hyperlink this] in Detroit partners with faith-based and workforce development organizations to rent unused vehicles for people who do not have access to transportation for jobs located outside of the city. According to the representative who spoke at the conference, they have hired 50 drivers to chauffeur up to 250 people per day to work in warmer months and 800 per day in colder weather. Also in Detroit, Shotspotter<sup>7</sup> [hyperlink this] uses technology to provide real time alerts to law enforcement of where gunfire occurs, contributing to safer communities and improving the business environment of inner cities.

That is not to say that more traditional businesses like restaurants are not needed in inner cities. But the insight behind this model is that new solutions to urban problems are available for businesses to build upon a location comparative advantage. This includes large businesses like Shinola<sup>8</sup> [hyperlink this] that provides entry-level jobs and skilled-based employment to more than 550 people in Detroit. As a representative of Shinola explained, the company chose Detroit with the understanding that they could build upon the manufacturing and steel experience of workers.

### ***Engaging the Community***

It takes knowledge of a community to come up with business-based solutions to urban problems. As with any group of people, inhabitants of inner cities often distrust the idea of people from outside of their areas imposing answers to their problems. As a presenter from the Center for Social impact put it, “anything for us, without us, is not about us.” That is why community engagement and even community organizing are integral to this model. Presenters at the conference spoke to the range of methods that have been used for soliciting community participation, including surveys, data analysis, interviews, focus groups and other methods. For example the Detroit Dialogs undertook a core city stories Bike Tour and walking tour initiative that went door to door collecting people’s accounts of what it means to them to

---

<sup>5</sup> <http://www.spltrides.com/>

<sup>6</sup> <http://metroezride.com/>

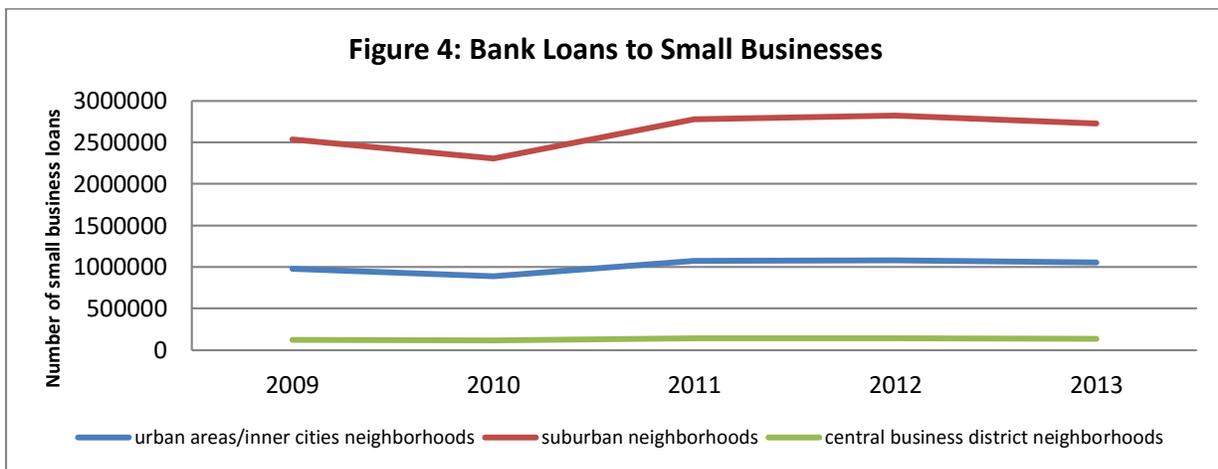
<sup>7</sup> <http://www.shotspotter.com/>

<sup>8</sup> <http://www.shinola.com/our-story>

be in their neighborhoods.<sup>9</sup> These outreach methods are complementary, since the goal of any one technique is to get a clear enough understanding of the issues that they each point to the same solutions. Using a multiplicity of ways to engage with the community also reveals what works and what does not in terms of understanding a community and its concerns.

### ***Accessing Capital and Funding***

A model-based approach to addressing urban problems is not all that is needed to build businesses and create jobs. Entrepreneurs and small business owners in many cities report difficulties in getting access to financing. Limited access to bank funds, equity capital, or even personal networks create genuine barriers for many business owners. (e.g., Figure 4 shows trends in CRA-reported small business bank loans). For the Urban Entrepreneurship Initiative, these financing challenges make an even stronger case for conceptualizing an urban business as one that responds to an urban problem. If a business owner can explain why a particular model – not the business per se – is not functioning properly, and explain how an investment or loan would fix that aspect of the model, s/he makes a more compelling case than by simply asking for money for a business that is not otherwise performing.



Source: Authors' calculation based on CRA small business loans and geocoding analysis of Local Origin-Destination Employment Statistics (LODES) data (Hartley et al, 2015, "Are America's Inner Cities Competitive? Evidence from the 2000s).

### **Conclusion**

The Urban Entrepreneurship Initiative is pursuing the same fundamental goals as many other initiatives focusing on inner cities, that is, to support businesses that provide products and services for people in urban areas. Their contribution to the discussion is to recognize that the same techniques that architects and planners have used for generations for applying design solutions to buildings, roads and public spaces can now be applied to urban challenges like education, public safety, transportation, and

<sup>9</sup> Clack, A., "How Storytelling heals and strengthens communities,"

<http://www.springboardexchange.org/features/aspenartsfeature3.aspx>.

Also see the New York Time Magazine, July 13, 2014, "Detroit Through Rose-Colored Glasses" for a collection of photos and stories of people in Detroit. <http://www.amazon.com/The-New-York-Times-Magazine/dp/B00LZ0EG4U>

others. The intent is to bring new technologies to old problems, and in doing so, inspire students, academics, business people, and funders to test new ways to improve the quality of life in urban areas. Moving forward, the goal is to integrate scalable strategies into the model, to bring about the kind of businesses that will create jobs in a more significant way.