

# planning and strategy; locality and business development

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## outline

groupthink and social construction of reality

planning and strategy (Blakely and Leigh, 2009, ch5,7)

program evaluation/impact analysis

community development (Blakely and Leigh, 2009, ch.4)

what is locality (the unit of analysis) ?

locality development (Blakely and Leigh, 2009, ch.9)

clusters (Porter, 2000)

## NECESSARY READINGS

- ◇ Wildavsky (1987)
  - ◇ Porter (2000)
  - ◇ Porter (1998)
  - ◇ Michael Porter Ted Talk
    - [fighting soc sci groupthink; a business perspective]
    - businesses should develop locality and solve social problems
    - NOT: govt, academics or nonprofits
- <https://www.youtube.com/watch?v=0iIh5YYDR2o>

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## and now some social psychology

- ◇ basic psychology will help us understand more specialized/down-to earth things discussed later below
- ◇ great books:
  - classics of organizational behavior (Natemeyer and McMahon, 2001)
  - reality is socially constructed (Berger and Luckman, 1966, Wildavsky, 1987) (also interesting: Pierson (2000))

# groupthink

- ◇ when you agree on everything it should be a red flag
- ◇ you may be a victim to groupthink !
- ◇ groupthink is social conformity in group dynamics
- ◇ people would follow whatever is the mainline
- ◇ see also Asch experiments  
[http://en.wikipedia.org/wiki/Asch\\_conformity\\_experiments](http://en.wikipedia.org/wiki/Asch_conformity_experiments)
- ◇ need a fresh blood; bring in somebody from a different geographical location or from a different field
- ◇ otherwise you all gonna start thinking the same way

## groupthink

- ◇ shared illusions, groupy feelings
- ◇ a strong need to be loyal to the group
- ◇ sticking to the policies adopted by the group even if they don't work/have unintended consequences
- ◇ mental deficiency as a result of group pressures
- ◇ don't want to question leaders'/colleagues' ideas
- ◇ no bickering to spoil the cozy 'we-think' atmosphere
- ◇ as group cohesiveness (feeling accepted by others) increases so does groupthink (you want it to stay that way; be accepted)
- ◇ any lingering uncertainties: give benefit of the doubt to the group consensus



- ◇ members of group collectively create rationalizations to discount warnings/negative feedback
- ◇ members of the group believe in stereotypes
- ◇ and they believe in their morality, they are the good guys; the others, e.g. politicians, policymakers are the bad guys
- and again see Haidt's "Righteous Mind"

## illustration: Tienanmen Square

- ◇ when there were the famous protests in Tienanmen Square (1989)
- ◇ there was a military/police for some time to supervise the protest
- ◇ but they were there already for some time so many of them could have gotten in a similar mood with the protesters, or even sympathize with them
- ◇ the commanders were smart and brought in the military from a far away region to pacify protesters

## groupthink—other thoughts

- ◇ the benefit of groupthink or strong group membership is identity
- ◇ if you question and disagree too much, at some point you may lose a sense of who you are
- ◇ groups identify you: say catholic, student, married, etc
- ◇ also see Fromm ([1941] 1994), Maryanski and Turner (1992):
  - escape from freedom=groupthink
  - great to free yourself from cages of group-think and membership
  - but you pay price: disorientation, losing identity, loneliness, lack of belongingness etc etc

## groupthink related: social construction of reality

- ◇ Berger and Luckman (1966), Wildavsky (1987), Pierson (2000)
- ◇ reality is socially constructed: people think what others around them think (I live in NY, I am a Democrat, and agree on everything Democrats agree upon)
- ◇ hence, it is difficult to bring about the change
  - somebody mentioned lass class Deliberative Polling: you need to educate people first, otherwise they won't understand what you are doing
- ◇ and the same thing with path dependency: history tends to repeat itself and changes are not very likely
- ◇ then it seems, that for a change to happen you need either:
  - a critical mass of new people with new thinking, few but very able leaders; other resources...

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## phases

- ◇ data (what is happening?)
- ◇ goals → projects → plans → details → do something
- ◇ data again (did it work?)
  - remember to break it into small actionable short term tasks
  - max impact, the biggest bang for the buck; most projects sound reasonable but only few make the biggest difference
- ◇ build a movie theater in Camden ? yes, reasonable; build a gym ? yes, reasonable...etc etc; but resources are limited, opportunity cost—always need priorities

## what is likely to work?

- ◇ what worked in the past
- ◇ what is working in other areas
- ◇ but places are different
- ◇ make sure that you are comparing areas with similar conditions
- ◇ and try to make educated guesses about the future (e.g. Ted Talks, The Economist)—nothing is forever: Detroit, Sillicon Valley, etc
- ◇ important: people overestimate that things will never change (e.g. all empires collapsed, people did not believe even after the fact (Nial Fergusson))

## treat causes, not symptoms

- ◇ putting out fires and making pain less painful is important
  - e.g. police crime and provide food for homeless
- ◇ but it won't fix problems; need to think about underlying causes



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## the idea...

- ◇ figuring out an impact of a program/policy is difficult
- ◇ you need to exclude alternative explanation (maturation, regression to the mean, etc)
- ◇ it all boils down to the idea of counterfactual
  - that is what would have happened had we not implement the policy
  - that is you want to compare after-policy to fictitious without-policy
- ◇ an example would be new residents after 15k housing incentives in Camden vs no such policy
  - e.g. after the policy we may have fewer new residents than before; but had the trend continued we would have even

## cost-benefit analysis

- ◇ most policies sound reasonable and bring some positive effect
- ◇ but it's not enough
  - think how much they cost
  - and how much regulatory burden (red tape) they add
  - does it work in practice (externalities, pervasive incentives, opportunity cost): e.g. bailout-TBTF
- ◇ and periodically overview, simplify and standardize
  - as you keep on adding things, it becomes unwieldy (US tax system)

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## community organizing models

- ◇ Alinsky model: use a professional organizer
- ◇ Boston model: contact people and appeal to their self-interest
- ◇ visioning: imagine desirable future and figure out how to get there
- ◇ comprehensive-rational planning: analyze data (academic-like)
- ◇ strategic planning: SWOT (Strengths, Weaknesses, Opportunities, Threats)(e.g. a list in “why did i get married” )
- ◇ appreciative inquiry: identify strengths and successes, focus on the positive

## deliberative pooling

- ◇ first, need to educate people about the issues and only then ask for their opinion
  - ◇ otherwise they don't know what they are talking about
  - ◇ Fishkin at Stanford
- <http://cdd.stanford.edu/polls/docs/summary/>

## be positive and constructive!

- ◇ don't get into negative groupthink of public policy/adm
- ◇ use appreciative inquiry:
  - identify strengths and focus on those and build on them further
- ◇ there are always some strengths!
- ◇ e.g. poverty and decline: cheap labor and property, etc etc

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## level of analysis matters

- ◇ again, you may get opposite conclusions depending on what is the unit of analysis (the aggregation level)
- ◇ and there may be interactions between the two
  - that is a relationship between two variables depends on a variable at a higher level
- ◇ for instance, religiosity makes people happy in religious nations
- ◇ usually you want to get to the lowest level possible (you lose information if you aggregate)
- ◇ but at the same time, don't forget about the macro-level

## U/A in local economic development

- ◇ again jobs are they key...
- ◇ if you are looking for a job, place matters
- ◇ people commute, we need to figure out how far and where...
- ◇ commute can be seen as a spatial mismatch between jobs and housing
- ◇ suburbs are “bedroom communities” (or used to be, many businesses locate in suburbs now)
- ◇ we talk about cities, counties, states or metropolitan areas
- ◇ yet did anybody heard about BEA Economic Areas? (Berry and Okulicz-Kozaryn, 2012)

## BEA Economic Areas

- ◇ the idea is that a unit of analysis should cover a labor market
  - take into account commuting patterns
- ◇ metropolitan area is closest but not exactly the same
- ◇ BEA Economic Areas divide the US into subregions with separate labor markets
- ◇ more information here: <http://www.bea.gov/regional/>

## maps

◇ state, county, metro, BEA EA

- next to each other <http://www.bea.gov/regional/bearfacts/>

- overlapped [http:](http://www.bea.gov/newsreleases/regional/rea/rea1104.htm)

- [//www.bea.gov/newsreleases/regional/rea/rea1104.htm](http://www.bea.gov/newsreleases/regional/rea/rea1104.htm)

- nice resolution (takes time to load)

- [http://www.bea.gov/regional/\\_images/ea/econareamap.jpg](http://www.bea.gov/regional/_images/ea/econareamap.jpg)

◇ <http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0166083>

# Megalopolis

- ◇ and there is also an idea of Megalopolis:
- ◇ Bos-Wash, etc
- ◇ <http://upload.wikimedia.org/wikipedia/commons/9/95/Megalopolis.png>
- ◇ <http://upload.wikimedia.org/wikipedia/commons/5/51/MapofEmergingUSMegaregions.png>
- ◇ [http://www.creativeclass.com/\\_v3/whos\\_your\\_city/maps/#Mega-Regions\\_of\\_North\\_America](http://www.creativeclass.com/_v3/whos_your_city/maps/#Mega-Regions_of_North_America)

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## traditional vs modern

- ◇ it used to be about the ownership, regulation and management of land and buildings...
- good transportation is important
- ◇ the new stuff: “smart growth” / “new urbanism”:
  - anti-sprawl, reuse of space, mixed uses (Jacobs, [1961] 1993), walkability
  - and LIVABILITY (we will talk about it later)
- ◇ it's more human than firm friendly

## smart growth

- ◇ Mix land uses (yes!)
- ◇ Take advantage of compact building design (yes!)
- ◇ Create a range of housing opportunities and choices (no free market?)
- ◇ Create walkable neighborhoods (yes!)
- ◇ Foster distinctive, attractive communities with a strong sense of place (but how?)
- ◇ Preserve open space, farmland, natural beauty, and critical environmental areas (none of that belongs to city!)



## smart growth

- ◇ Strengthen and direct development towards existing communities
- ◇ Provide a variety of transportation choices
- ◇ Make development decisions predictable, fair, and cost effective
- ◇ Encourage community and stakeholder collaboration in development decisions
- ◇ but community and city are polar opposites: Gemeinschaft v Gesselschaft
- see my book: ch. Gemeinschaft/Gesselschaft

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## a business approach

- ◇ and now a little of a business approach...
- ◇ we need some business approach
- ◇ it is businesses not government that create jobs
  - discussion ? anybody disagree ?
  - anybody Keynesian ?

## cluster definition (p16 Porter, 2000)

- ◇ A cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities.
- ◇ The geographic scope of clusters ranges from a region, a state, or even a single city to span nearby or neighboring countries (e.g., southern Germany and German-speaking Switzerland).
- ◇ The geographic scope of a cluster relates to the distance over which informational, transactional, incentive, and other efficiencies occur.

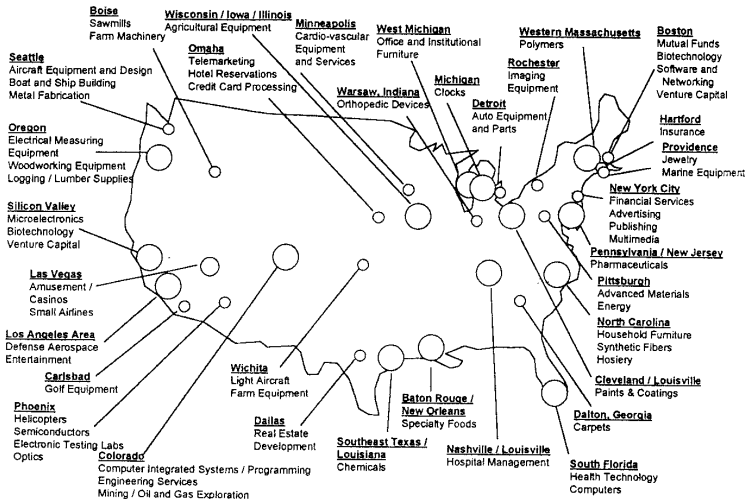
## cutting across industries

- ◇ so what really is a cluster?
- ◇ it is several industries
- ◇ not a single industry, but also not a large group like manufacturing/services
- ◇ e.g. Massachusetts medical devices cluster: electronic equipment, plastic products, etc
- ◇ e.g. Silicon Valley: programmers, venture capitalists, etc, etc

## location matters

- ◇ clusters are key for economic development
- ◇ and there is a role for local government to support them (crony capitalism?)
- ◇ clusters improve productivity by improving access to information and inputs
  - facilitate complementaries
  - improving incentives and performance measures

Figure 2  
Selected Regional Clusters of Competitive U.S. Industries



## a paradox

- ◇ the world is flat but spiky...
- ◇ clusters matter and are resilient
- ◇ “the most enduring competitive advantages in a global economy seem to be local” (p32 Porter, 2000)



## an outcome line

- ◇ business people:
  - ◇ standard of living/qol/happiness ← competitiveness and productivity
- ◇ soc sci/ policy makers:
  - ◇ standard of living/qol/happiness ← public policy
- ◇ we should talk to each other and try to understand...
- ◇ it's like we are from Venus and they are from Mars

## clusters and productivity

- ◇ clusters help with productivity: agglomeration economies
  - cost minimization due to proximity of inputs or proximity to markets
  - access to specialized inputs and employees

## clustering and innovation

- ◇ more clearly and rapidly perceive buyer needs
- ◇ concentration of firms with buyer knowledge and relationships
- ◇ competitive pressure, peer pressure, constant comparison
- ◇ on the other hand, clusters can retard innovation:
  - groupthink:
    - reinforcing old behaviors
    - suppressing new ideas
    - creating rigidities that suppress the new

## big and old don't innovate

- ◇ a related problem here is that big and old companies don't innovate, because
  - difficult to make disruptive changes; go to a board room and say that you have a brilliant idea to do things in a completely new way
  - you'll get fired
  - you better start a new company from ground up
  - path dependency, and groupthink
- ◇ examples: blockbuster and netflix; myspace and facebook

## role of govt

- ◇ Porter argues that traditional distinction between laissez faire and intervention is useless
- ◇ whatever increases productivity is good
- ◇ so the govt should stay away from trade barriers, pricing
- ◇ but help with education, training, competition  
antitrust(anti-monopoly), safety, environmental impact
- (from “Location, Clusters and The New Microeconomics of Competition” M Porter)
- ◇ (but income ineq!)

## clusters and outsourcing

- ◇ yes, outsourcing is a powerful force and is responsible for many jobs lost to developing countries
- ◇ but so is the power of clusters and it is overlooked
- ◇ the cheapest labor and tax places often lack proper infrastructure
- hence businesses would go to more expensive China with good infrastructure than less expensive poorer countries with no infrastructure

## inequality

- ◇ in global economy skilled people prosper because larger market and demand for their work
- ◇ less skilled people have to compete, on the other hand, with lower wage labor supply from poor countries
- ◇ but that's the role of public policy to make sure equal opportunity exists
- ◇ inequality and social ills are not a result of capitalism but of poor public policy (pub pol should correct capitalism problems)
- ◇ we should address root causes rather than try to prevent the competitive process
- ◇ similarly AEI: equality of opportunity instead of welfare

## it's like with technology

- ◇ we can do more good and more bad
- ◇ we used to have horses and bayonets (pres Obama)
- ◇ now we have drones, nuclear weapons, etc



## clusters are different from industrial policy

- ◇ clusters are more spontaneous and industrial policy top-down
- ◇ industrial policy “targets” some industries for support
  - “returns to scale” is important: help “infant industries” achieve a threshold (a critical mass)
  - can subsidize, give tax breaks (but fairness?)
  - e.g. Camden Redevelopment Agency is trying that with housing giving you \$15K in incentives

## location of clusters

- ◇ they are in the cities
- ◇ clusters are based on agglomeration economies, face-to-face exchange of ambiguous information, cooperation
- ◇ you need high density for that, many people in one place