

BUSINESS COALITIONS IN THE US AND THEIR ROLE IN ADVANCING A REGIONAL AGENDA

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Abstract

The analysis herein explores the topic of business coalitions and focuses on the role they may play in advancing a regional agenda. The structure of the paper is threefold: (1) in the introductory section I briefly explain the meaning of the concept and how it relates to other similar concepts such as public-private partnerships or growth coalitions; (2) the second part focuses on analyzing the characteristics that best define contemporary business coalitions and stresses the implications of these characteristics for the structuring or restructuring of traditional local and regional political entities; (3) the last section focuses on how planners and other public officials could use or partner with business coalitions in order to advance their own regional agenda. In the conclusion section I argue that though business coalitions are important for the development of a regional economy and regional identity, it would be a mistake to think that they alone can determine the success of a region. Regional government should continue to be pursued as it represents the only solution to problems such as social and environmental justice, tax sharing, education, and inner city redevelopment.

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*Transylvanian Review
of Administrative Sciences,
22E/2008 pp. 125-131*

Introduction

The idea of regional cooperation is currently gaining momentum as various stakeholders at the local and regional level start to understand that it may represent the only tool available to cope with contemporary economic and social trends (globalization, new federalism, a shift toward a knowledge-based economy, etc). Regional cooperation would potentially allow policy makers, interest groups, and implementing agents to create a policy network (Hecllo, 1978) or an advocacy coalition (Sabatier and Jenkins-Smith, 1993) focused on shared spatial interests and resources. For local communities all over the country regionalism holds the promise of escaping the atomistic characteristics of home rule and obtaining a critical, and complementary, mass of resources that separately they do not have (Bluechel in Gatrell and Spiker, 2002).

Though various stakeholders acknowledge the potential benefits of regional cooperation significant disagreement rests upon what types of regional structures and regional financial schemes need to be implemented. According to Gatrell and Spiker (2002) there are four general types of regional policy networks. These types are: (1) Governance; (2) Area-wide Infrastructure Districts; (3) Collaborative Partnerships; and (4) Local associations. In addition to these more “local” regions, the authors argue, more “global” policy regions also exist, like the Appalachian Regional Commission and the Tennessee Valley Authority. Business coalitions can be considered a type of collaborative partnerships among various business-driven interest groups such as corporations, banks and other financial institutions, chambers of commerce and sometimes non-profit organizations.

In a recent collection of essays on regionalism, Kanter (2000) argues that nearly absent 25 years ago or discredited as a civic force with the public’s interest in mind, business coalitions are now driving a renewed appreciation for metropolitan approaches to issues such as economic competitiveness, human resource development, infrastructure innovation, and protection of unique environmental and civic assets. Despite these claims, one may wonder how these business coalitions are different from the growth coalitions or public-private partnerships of the urban renewal era and whether they advance a regional agenda that is in the interest of the whole region and of the various groups that form the region.

Molotch (1976) coined the concept of “local growth machines” consisting of metropolitan area banks and mortgage lenders, real estate brokers, landowners, developers, lawyers, and the local construction industry, together with the city government. The author used this concept to describe the networks created during the implementation of urban renewal, a federally funded program but heavily decentralized with regard to implementation. According to Kleinberg (1995), the aforementioned organizations not only cooperate in the technical implementation of local growth but also join as a political-economic coalition in promoting or “boosting” the local place as a desirable site for business expansion and for residence by workforce and consumers. Other authors claim that these types of coalitions or public-private partnership in which the business sector is the leading partner are hardly an “innovation” of the last century. Squires (1989) uses the word “privatism” to describe the ideology that has

dominated and shaped urban redevelopment from colonial America through the so-called postindustrial era. According to the cited author, within the American society, private economic actors are credited with being the most productive, innovative, and effective. From this perspective, public policy should serve private interests. The government should focus on the facilitation of private capital accumulation via the free market. While urban policy must acknowledge the well-known problems of big cities, it can do so best by encouraging private economic growth. It draws upon the belief in the supremacy of the private sector and market forces in nurturing development, with the public sector as a junior partner whose principal obligation is to facilitate private capital accumulation.

As mentioned before, Kanter (2000) argues that contemporary business coalitions are different from their early predecessors. After the “reinvention process” they went through during the late ‘80s as a result of strong criticism with regard to their limited ability to foster broader social and equity concerns and lack of accountability, business coalitions are now considered entrepreneurial and innovative. They are also the forces that push for regionalism. The characteristics of the contemporary business coalitions are examined in the next section.

Analysis

a) Characteristics of business coalitions and their impact on the structuring of local/regional governmental structure

The early forms of business or growth coalitions were focused mostly on local redevelopment issues confined within the narrow boundaries of existing political jurisdictions. As opposed to them, the contemporary business coalitions are broader in scope and tend to advance issues that are relevant for more than just one political jurisdiction. Kanter (2000) analyzes several characteristics that define contemporary business coalitions; because of the way they operate, these coalitions have the potential to influence the traditional way in which local power and governmental organizations are structured.

- Contemporary business coalitions transcend existing political boundaries (local, state, national) in terms of their membership or service area. They also tend to focus on issues that cut across multiple jurisdictions (regional transportation). Kanter (2000) argues that private economic associations are playing a leadership role in crossing, blurring, or breaking down political jurisdictions to create new metropolitan regional identities that market themselves to the world and maintain direct international relations, in essence city-states with their own foreign policy. Though this claim may seem somehow exaggerated it is enough to think about a common scenario under which regional business coalitions seek to attract international investors. It can be argued that under this scenario business coalitions are the ones who create the regional economic agenda and pursue its goals, as they seem fit. Though legal constraints may exist, they still seem to experience a significant degree of freedom with regard to how they choose to advance economic development.

Kanter (2000) is not the only scholar who compares the role played by business-driven regional partnerships with the role played by city-states during the medieval

era. In their influential study called "*Citistates: How Urban America Can Prosper in a Competitive World*" Pierce, Curtis, and Hall also focus on the importance of business-driven economic efforts that advance the interest of a geographical region that does not need to coincide with the boundaries of existing political jurisdictions. These authors go even further and claim that unless sufficient autonomy is given to these newly created regional power structures, the economic future of the US and its cities is doomed.

This feature of the contemporary business coalitions has a profound impact on how the political local and regional organizations are structured. The scholars who argue that business-driven regional partnerships mimic the role played by city-states in the medieval era seem to conveniently forget that at that time the economic and political dimensions were integrated at the level of one political entity- namely the city-state. However, contemporary business coalitions lack democratic legitimacy and the regional integration they foster is economic in nature. The inherent danger posed by this phenomenon is that economic partnerships will function independently from elected local governments and will act upon separate regional agendas that do not reflect the concerns of all constituencies.

- Their legitimacy is often derived from the public's perception that tends to regard them as being "above politics". In her 2000 study, Kanter argues that it is common for local stakeholders as well as the general public to consider these business coalitions as more viable organizations than the governmental/public ones. People associate legitimacy with regional projects driven by business coalitions. The public sector is associated with politics and politics is seen as the enemy of change. The author cites several other studies that use the word "neutral convener" to describe these regional business coalitions. Because of this perception, Kanter argues, CEOs driving these coalitions are described as the "star power", the force that can bring people together, make sense of good intentions, and insure that action plans are effective. Her findings are based on surveys conducted in five American regions with more than 2,600 business heads, and extensive interviews with community leaders and activists, and site visits, supported by an overview of developments in other regions in the United States and elsewhere. Kanter (2000) explicitly says that these findings reflect mere perceptions not necessary the "absolute truth". However, they are important because they shape the attitude of various constituencies with regard to business-driven regional efforts. As people consider them more efficient, they may be more willing to ignore the limited accountability of these organizations/efforts.

- The business coalitions are more likely than local governments to better understand the importance of regionalism when international players are involved. Kanter (2000) makes an interesting argument about how business coalitions first tried to implement regional partnerships in response to international pressures. She claims that for many foreign investors it is important that the region they move into is successful and sound both in terms of inner city and suburbs. She claims that business location decisions are based not on single cities and towns, but on the facilities and amenities of several. Site planners, especially from other countries, seek one-stop shopping services that inform them about many places within a region at the same time. A somehow similar

argument can be found in Thomas (1997). Discussing the case of Detroit, she point out that most international investors do not have a clue about the difference between downtown Detroit and the surrounding wealthier suburbs. From the perspective of these investors, Detroit's bad reputation infringes upon the suburbs as well.

This specific feature of business coalitions may represent a strong point in the implementation of regional plans/projects. Let's keep in mind for a moment Orfield's argument (2002) that it is difficult for cities and suburbs to come together in the implementation of regional policies, as the suburbs do not perceive such efforts as being beneficial to them. Perhaps if business coalitions understand more clearly than suburban governments why the whole region is important for foreign investors, than regional policies may gain additional political support from the suburbs.

- Business coalitions develop only around issues that though regional in nature have a bearing on the process of economic development and the corporations' overall success and profitability. Business coalitions need to find regional development in the self-interest of their members in order to act. Their motivation is mostly based on economic rationales rather than on altruism or care about the public interest. There are several specific regional policies advocated by business coalitions that seem to support this argument. For example business coalitions push for regional transportation. They want workers to be able to commute from inner city areas to the suburban plants. In those areas where unemployment is low, businesses have a direct interest in pushing for a regional mass transit system as they depend on the work force in the city. Education is a somehow similar example. In various regions across US (Boston for example) private corporations and business coalitions became involved in financing schools in order for them to be able to buy computers and other technologies. Their main reason behind such initiatives had to do with a perceived need for a highly educated population and future workforce. However, business coalitions have yet not addressed fiscal disparities among towns, jurisdictional boundaries, or other distributional and political issues within metropolitan regions- nor is it apparent that they wish to (Kanter 2000).

This trend clearly demonstrates that while business coalitions may have a role to play within the realm of regional economic development, they are ill suited to address more complex issues such as social equity.

b) How planners interact and partner with business coalitions in order to advance regional initiatives

As described above business coalitions may pursue a regional agenda; however the issues they try to advance on this regional agenda may be significantly different than the regional policies governments want to implement. It is important that planners and other public officials seek to cooperate with these business coalitions and to reach some sort of integration with regard to their separate regional agendas. It is also important that urban planners act in order to mitigate some of the limitations associated with business coalitions pursuing a regional agenda. The following issues are worth some more in depth consideration.

- It is important that local governments avoid over-reliance on a single business coalition dominated by a single giant corporation. In many regions and

communities one major corporation can be a major contributor to social, cultural and educational efforts. However, over-reliance on such a coalition may turn out to be harmful for the region on the long term. If the major corporation decides to leave and move to another place, the community remains vulnerable. This is not such an unlikely scenario given the increased mobility of capital in the nowadays economy.

- Kanter (2000) argues that business coalitions are more likely to be oriented towards short-term projects that yield quick and visible successes. From this perspective business coalitions may be the catalysts behind regional policies and carry out the strategic planning process. However, after the first results become notable, they may be willing to turn the implementation and daily management of regional projects to existing local governmental agencies. It is important therefore that planners are aware of such trends. Communication and permanent contact with business partnerships in the regions may be essential.
- Because business coalitions act upon the self-interest of their members it is important for planners and public officials to frame all regional issues from an economic, developmental perspective. If local governments seek the participation of business coalitions towards advancing a common regional agenda, then economic considerations should be present. One should not count on the altruism of these organizations.
- One last aspect that needs to be considered is accountability. Business coalitions do not have the democratic legitimacy of elected local governments. However, they are increasingly seen as new governance frameworks that cross various political jurisdictions (Kanter 2000). Even if completely exclusivist business coalitions are a relict of the previous decades more subtle issues with regard to accountability need to be considered. As mentioned before most of these business coalitions have not been able to address the issue of fiscal disparities among communities. Nor have they been able to implement more distributive policies with regard to the city poor. How can they be held accountable for not even trying to deal with these issues? As long as the general public does not elect them they are free to pursue the agenda of their members. It is the role of planners to try to make them more accountable or sensitive to other constituencies in the region whenever possible. They also need to supplement these business-driven efforts with governmental initiatives at the regional level.

Conclusions

Business coalitions are merely one tool among many others that can be used in order to foster regional cooperation. Though broader in scope than their earlier predecessors, business coalitions are still ill equipped to address some of the most stringent issues cities are confronted with- budgetary deficits, increasing gap between inner city and suburbs, lack of amenities and education opportunities among city residents. Urban governance still holds the promise that one day these urban ills may be cured or at least more fairly distributed. Planners and local public officials should try to work with business coalitions. They could take advantage of the fact

that these coalitions seem to bring the political power concentrated in the suburbs to work in favor of regional efforts. However, they should also be aware of the potential limitations associated with business coalitions and their support of certain regional policies.

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