A People-First Approach to Cultivating Innovation Hubs

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What would it take to make your region a hotbed of innovation?

You’d need the physical assets required to carry out R&D, manufacture products, and bring them to market. You’d need financial support to implement your plans. And you’d need a coordinated public-private effort to convince employers, investors, and funders that you are committed to success.

But what you need most is the right people: scientists and engineers to drive the thought leadership; a willing and able workforce, both educated and still learning; businesspeople with a strong entrepreneurial spirit; and policymakers with the vision needed to make the region’s innovative spirit a reality.

Coalescing all these inputs into an innovation hub is no easy task. But the benefits are indisputable: the increase in high-quality jobs can persuade the region’s most talented workers to stay and others to move in, creating a positive feedback loop that attracts more businesses and more family-sustaining jobs to the region.

The Time Is Ripe

There is no better moment to make a big bet on an innovation hub than now.

The recently passed CHIPS and Science Act allocates a total of $10 billion to catalyze the creation of Regional Technology and Innovation Hubs (Tech Hubs) in at least 20 regions across the country. This funding provides an opportunity to strengthen the country’s innovation sector and global competitiveness while promoting the development of new economic engines in areas that have not fully experienced the dynamic benefits of innovation, with a particular emphasis on geographic diversity. Consistent with other Biden Administration policies, including the Inflation Reduction Act and the Department of Energy’s Hydrogen Hubs, Tech Hub funding is explicitly tied to people-related goals, and prospective hubs must articulate how the growth they create will benefit people.

Designing and developing winning Tech Hubs will require the combined efforts of numerous players—most importantly, universities, state and local governments, and regional economic development organizations—working together in cross-sector consortiums with a shared vision and strategy for their region. And the competition will be fierce: in 2022, more than 500 regions applied for $1 billion in grant funding from the Department of Commerce’s Build Back Better Regional Challenge, focused on strengthening industry clusters, and just 4% received full awards.

Regions hoping to win a grant to boost their innovation capacity need to take a people-first approach to the effort. This means finding and supporting the talent needed to drive the work itself, while also fostering a welcoming community to sustain and benefit everyone in the region. In this paper, we consider what it will take to create the conditions for success and to carry out all the goals of this key program.

Putting People First

Regions looking to win a Tech Hub grant must have a shared vision that galvanizes and focuses stakeholders. Key to that vision is the understanding that people—both current and future residents—are central to the success of any hub. The grant program places considerable emphasis on reversing regional brain drain and ensuring that the hubs avoid the pitfalls that are all too common in today’s centers of innovation: income inequality, housing shortages, and a lack of diversity in hiring for newly created jobs.
Stakeholders in regions looking to create and sustain innovation hubs must work together to develop the capabilities needed to attract, build, and retain top talent. This includes designing programs to help people build successful new careers and to provide the support they need while learning new skills, as well as passing laws and policies that will allow them to thrive in their new occupations.

As Exhibit 1 shows, there are nine actions leaders can take to win with people, focused on developing talent pipelines and fostering a vibrant, inclusive community. Taking a people-first approach requires true collaboration; none of these actions can be achieved by a single stakeholder. Governments require business collaboration, businesses require legislative action, and workers require collective action on the part of stakeholders across the political and economic spectrum to achieve inclusive growth. All of these measures are “no regrets” actions that will advance communities, even if the region does not successfully land a Tech Hub grant.

Exhibit 1 - Nine Steps to a Winning Innovation Hub

1. Develop programs that funnel talent to high-demand sectors and retain talent in-state
2. Design scalable upskilling programs to drive economic mobility
3. Identify and engage historically overlooked populations to equitably strengthen workforce
4. Plant the seeds for continued growth with high-quality STEM education
5. Proactively invest in infrastructure to prepare region for growth
6. Develop placemaking strategy to design public spaces and create welcoming communities
7. Invest in and enable affordable housing development
8. Incubate a local, diverse supply chain
9. Pass legislation that lets workers maximize their opportunities
Stakeholders in regions looking to create and sustain innovation hubs must work together to develop the capabilities needed to attract, build, and retain top talent. This includes designing programs to help people build successful new careers and to provide the support they need while learning new skills, as well as passing laws and policies that will allow them to thrive in their new occupations.
Develop Talent Pipelines to Prepare for Growth

1. Develop programs that funnel talent to sectors in high demand and retain talent in-state

It is essential to develop pathways that provide members of historically marginalized communities with the training and access needed to obtain jobs in high-impact innovation industries. States and regions should create programs that funnel talent to high-demand sectors and retain talent in-state.

In March 2023, for example, the state of Michigan announced the Michigander EV (Electric Vehicles) Scholars Program. The goal: to connect engineering and computer science students across the University of Michigan system with jobs in the region’s growing EV and mobility sectors, where there are currently 3,000 openings. The public-private partnership offers a range of student support mechanisms, including networking opportunities and tours of local companies’ facilities, and help with resumes and interviewing. The program also offers up to 350 scholarships for students who accept an internship or full-time position with participating companies and who commit to remaining in Michigan for at least 12 months.

2. Design scalable upskilling programs to drive economic mobility

State and local governments should also develop and expand upskilling programs outside of formal educational systems that provide direct access to experiential learning opportunities, in close coordination with the region’s primary industries. These programs should be designed to link training closely to local career pipelines, enabling large-scale, rapid workforce development.

Singapore used this approach in launching a unique train-and-place upskilling and enablement program called Rapid & Immersive Skill Enhancement (RISE). The program will prepare as many as 5,000 people for roles in data and digital companies, with a specific focus on the under- and unemployed. The cross-sector RISE coalition of government agencies, recruiters, and local companies provides apprenticeship-based training and matches learners with high-impact jobs in the region. So far, 70% of program graduates have been placed in jobs.

3. Identify and engage historically overlooked populations to equitably strengthen workforce

Governments and employers alike can overcome labor shortages and expand their workforce by tapping into historically overlooked populations. For example, as many as 100 million Americans have criminal records according to the Sentencing Project, and a growing “fair chance hiring” movement aims to tap into this population to drive growth. Early adopters of fair chance hiring have already seen success: a 2021 Society for Human Resource Management survey found that fair chance hires performed as well as or better than their counterparts, and people with criminal records are less likely to quit their jobs than others.

4. Plant the seeds for continued growth with high-quality STEM education

Finally, governments and education systems can support regional growth by developing and sustaining local science, technology, engineering, and mathematics (STEM) programs. Cross-sector collaborations can be powerful drivers of impact: the University of Pennsylvania, the School District of Philadelphia, and the Philadelphia Federation of Teachers collaborated to launch a K–8 school, Penn Alexander School, in West Philadelphia. The school has been named one of the best in the country.

Employers can play directly in this space as well: in Tennessee, a collaboration between BlueCross BlueShield of Tennessee and East Tennessee State University intends to address a shortage in technology workers through a 27-month education program (Bachelor of Science in Computing) culminating in a job offer from BlueCross. Still in its early days, the BlueSky Tennessee Institute has achieved a 100% retention rate in its first year, and applications for its second class have doubled.
Create a Vibrant, Inclusive Community

5 Proactively invest in infrastructure to prepare region for growth

Innovation means growth and growth means more people, more employers, and more demands on the region’s infrastructure, including public transportation, broadband, and electric. Proactive upgrades can help a region plan for success, and money from the federal government is available for just this purpose through the Infrastructure Investment and Jobs Act, which provides funds for infrastructure projects, broadband access, and more.

6 Develop a placemaking strategy to create welcoming communities

Local governments and city planners should develop a well-rounded strategy for creating communities that welcome and support diversity and collaboration. With that goal in mind, Boston developed its “Work, Live, Play” strategy for a new innovation district on 1,000 acres of underdeveloped waterfront land, laying the groundwork for a flourishing innovation center intended to promote all three parts of the strategy’s name. The local government built cultural institutions that welcome a diverse workforce, designed public spaces oriented to stimulate collaboration and a sense of community, and made several public transportation upgrades that improve region-wide accessibility.

7 Invest in and enable affordable housing development

State and local governments must also ensure that the region can support an increase in population linked to the innovation hub, and can do so inclusively. Enabling inclusive new housing construction is central to meeting this challenge. If regions are to avoid a repeat of the affordable housing crises that have affected innovative regions like San Francisco, Seattle, and Austin, Texas, officials should revisit state and local housing policies that restrict denser new construction. Minneapolis, for example, recently became the first major US city to respond to the affordable housing crisis by eliminating single-family zoning restrictions. This has paved the way for denser housing construction city-wide, positioning the city to grow without pricing residents out of their homes.

8 Incubate a local, diverse supply chain

To bolster both innovation growth and the local service sector, state and local governments should also provide support for those who can indirectly benefit from the region’s primary innovation industry. Programs that encourage firms to source from diverse local suppliers can ensure that the gains from the innovation hub’s growth flow to more people. The community’s small, minority-, veteran-, and women-owned businesses should have a seat at the table and a say in how the hub is developed. Officials should also create incentive programs for small businesses and identify and celebrate employers that commit to developing local supply chains. Building a strong and diverse assortment of local suppliers can ensure that the community at large, and not just its investors and tech workers, will benefit from the region’s economic transformation.

9 Implement legislation that enables workers to maximize their opportunities

State and local officials should also devise laws that support all workers in the pursuit of their new careers, while also repealing laws that hamper worker mobility. For example, noncompete clauses that keep workers from taking advantage of new opportunities can discourage career advancement and inhibit innovation. Prohibiting these clauses will improve worker mobility, helping retain talent within the innovation hub and attracting new talent from outside. California’s long-standing prohibition against noncompete agreements has been instrumental in accelerating Silicon Valley’s growth as an innovation leader.

To ensure that their innovation hubs benefit from a fair and competitive labor market, state and local officials should also consider enacting pay transparency laws. Several states have already done so, with good results. In Washington, for example, legislators recently passed a law requiring job solicitations to post accurate salary bands and descriptions of benefits packages, including retirement benefits, paid sick leave, paid time off, and health insurance, as well as salary transparency for internal promotions. Several studies have found that such policies can generate greater fairness in pay and create competition between employers, providing higher pay scales and supportive benefits for all workers.
Regions looking to build equitable, sustainable, and truly innovative hubs need to embed people-first focus into the process, from planning to design to execution... Innovation hubs are only as strong as the people who bring them to life and sustain them—and all stakeholders looking to build a truly innovative community should work toward that end.
Regions looking to build equitable, sustainable, and truly innovative hubs need to embed people-first focus into the process, from planning to design to execution. Any definition of the hub’s vision and goals must include the economic and employment needs of local households. To that end, planners should ensure diverse stakeholder representation on the design and execution teams and monitor the effects of the hub’s development on all community members, making sure to adapt plans and policies when necessary.

Innovation is crucial to economic growth, and the $10 billion in Tech Hub grants will undoubtedly stimulate the creation of new ideas and new businesses across the country. But real prosperity is inclusive and diverse, and a key goal of the program is to ensure that entire communities benefit from the gains. Innovation hubs are only as strong as the people who bring them to life and sustain them—and all stakeholders looking to build a truly innovative community should work toward that end.
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