What Can Businesses Learn from Cities? (Insights from a conversation with Chuck Marohn)

Description

I recently interviewed Chuck Marohn, founder of Strong Towns, on *The Busy Leaderâ??s Podcast*. (Click here to listen.) Chuck is one of our communityâ??s favorite speakers. He has spoken at CivicCon a couple of times in the past and will also present at this yearâ??s EntreCon.

Chuck is known for his insights on how we can make our cities stronger and more financially resilient. He says the current approach trades short-term growth for longer-term liabilities. To thrive long-term, we need to stop betting our futures on huge, irreversible projects and instead take small, incremental steps that make peopleâ??s lives better.

In the podcast, he addresses the differences between cities and private industry, especially in terms of the decisions they make in tough times (like right now). He says as cities look at how to move forward and tackle the challenges created by COVID, they need to step back and think about how to retool, reorient, and refocus on how to better serve the needs of citizens.

People who run companies tend to see themselves as being very different from those who run cities. Yet as Chuck and I were talking, I found myself zeroing-in on the similarities between the two. Iâ??ve found the most successful leaders are those who relate, not compare. This sets them up to use the insights from others to make their own processes and procedures better.

Here are some â??common threadsâ?• connecting cities and businesses I noticed in our discussion:

1. Fiscal sustainability matters. Chuck talks about how, over time, communities have faced one crisis after another: the collapse of economic ecosystems, housing shortages, food insecurity. These longstanding problems have built up to make our communities fragile, so now the fiscal situation weâ??re facing is extremely urgent. The point is that when a community is fragile, it takes only a tiny tip to knock you over. Better to make fiscally sound decisions all along so that youâ??re strong enough to weather storms.

This is also true in business. Itâ??s important not to rely too heavily on debt, to use your assets efficiently, to make sure profit margins are solid. Of course, investing in good leadership training and

focusing on strong employee relationships is a key part of the equation also. These things always matter. Get lean and mean and stay focused on the fundamentals when times are good, and youâ??ll be more likely to survive in the tough times.

2. In hard times, we need to aggressively seek solutions. (This may require a new way of thinking.) When times are tough, we tend to get frozen in place. Cities are used to functioning as the implementation arm of state and federal policy, so they keep taking cues from those capital flows. Instead, Chuck says they can seize the moment to shift to an entrepreneurial way of thinking. This means moving from a vertical orientation to a horizontal one where citizens are viewed as customers (or even better, shareholders). They would look at where people are struggling and make decisions based on that.

Businesses, too, need to use times of chaos and uncertainty as an opportunity to retool and refocus. Itâ??s those that manage change well that will come out on top.

3. â??Small ballâ?• is almost always a better approach than big expensive changes. Chuck says once a city refocuses on what citizens need, it will discover an infinite number of small changes that can be made on a shoestring budget. For example, an unsafe road can be made safer with straw bales and cones and paint. It isnâ??t perfect and it isnâ??t in its final state, but it is much saferâ??and it addresses the needs of the people. This is a good example of the â??small betsâ?• Chuck often talks about.

The small, incremental change approach works in business too. What are some small changes you can make right now to improve your company?

4. When we need to overhaul a core part of our operations, itâ??s best to do it now. In the podcast, Chuck talks about how the engineering industry is slow to respond to new and better ways of doing things. He shares the story of a tragedy that occurred in a city that knew it had an issue with unsafe roads, yet didnâ??t make the needed changes. (He will cover the subject of how we need to rethink our road systems in detail in his upcoming book, *Confessions of a Recovering Engineer*.)

Businesses can learn from communities in this area. Are you doing something outdated that no longer works? Too many of us just keep doing what weâ??ve always done, almost on autopilot. Yet itâ??s those â??early adoptersâ?• who really pay attentionâ??who see that change is needed and make it a priorityâ??who will come out on top.

5. Risk aversion kills innovation. Cities seek out big expensive projects where no single person can be held accountable in part because they take a beating if they try something new. Chuck shares a story about how his hometown of Brainerd, Minnesota, gave 20 creative people $100 each to invest in making their neighborhood a better place. While the money actually came from a foundation, people perceived it as taxpayer funds and there was a lot of pushback. This is the kind of citizen reaction that discourages risk.

Does your company operate this way? Have you created a culture where people wonâ??t take risks and try new things, because if they fail, theyâ??ll get scolded or be subjected to other negative

consequences? What do you need to do to fix this?

6. Knowing what NOT to do is just as important as knowing what TO do. The $100 giveaway Chuck talks about was just Round One. Those who used the money wisely would go on to Rounds 2, 3, and 4. The Round 4 winner would receive a significant amount to use to improve the town. This is actually a smart way of ruling out unworkable ideasâ??which, in turn, allows cities to put their resources toward the best ones.

Businesses, too, need a good low-cost system for testing ideas. This will allow us to stop chasing one idea after another and start getting things done. (I find most businesses need to hit the brakes on innovation and hit the gas on execution.)

7. Differentiation is everything. Chuck talks about how cities need entrepreneurs to create the kinds of businesses that create character and allow them to stand out. Restaurants are a good example. When cities donâ??t get focused on protecting their entrepreneurs, they end up with a lot of chains and franchises. (Ironically, big cities do a much better job than small and mid-size markets of creating space for entrepreneurs to be competitive.)

Does your business have a differentiator? If you have the same standard products and services as everyone else, it might be hard to survive long-term. What can you do to stand outâ??especially now when money is tight and customers are selective in their spending?

I have been fortunate to work in both worlds. Every day I see that community leaders and business leaders are more alike than they are different. We all want to create places (whether theyâ??re cities, towns, companies, institutions, or nonprofits) where people can thrive, places where people want to be. Letâ??s learn from each other so we can all get better and better.

Chuck Marohn will also be a featured speaker at EntreCon, our virtual business and leadership conference, which will be held Wednesday and Thursday, November 18 & 19, 2020.

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