EDA

WINTER 2007

Economic Development America

COMPETING GLOBALLY ★ GROWING REGIONAL ECONOMIES ★ CREATING JOBS

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Growing and Keeping Your Region's Businesses

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Sandy K. Baruah
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for Economic Development

Matt Crow
Deputy Assistant Secretary
for External Affairs and Communication

Kelly O'Brien
Director of Public Affairs

Bryan Borlik
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D. Palmer Gleason
Senior Public Affairs Specialist

Louise Anderson
International Economic Development Council
Editor

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Story ideas are invited and should be addressed to editor **Louise Anderson, telephone (828) 350-8855, email landerson@iedconline.org.**

***Subscription management:** IEDC members should send updated contact information to Rachel Andrews (randrews@iedconline.org). NARC members should send updated contact information to Peggy Tadej (tadej@narc.org). All others may submit their changes to Louise Anderson (landerson@iedconline.org).*

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Welcome to the Winter 2007 edition of *Economic Development America.*

It is always about this time during the winter that the itch for spring sets in. This issue, entitled "Growing and Keeping Your Region's Businesses," is appropriately represented with a gardening theme. These articles showcase successful regional models and innovative examples for fostering the growth of businesses already in place in your community.

Gardening is a popular analogy for business growth. Mark Drabenstott, Director of the Center for Regional Competitiveness at The University of Missouri-Columbia and former Vice President of the Federal Reserve Bank of Kansas City, has stated that, "We are going to move away from a model for recruiting businesses to rural America to growing businesses in rural America... gardening versus hunting, if you will."

In his recent State of the Union address, President Bush said, "A future of hope and opportunity begins with a growing economy, and that is what we have…This economy is on the move, and our job is to keep it that way – not with more government, but with more enterprise." Supporting President Bush's economic objectives, our mission at the Economic Development Administration is to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.

It is widely understood that the greatest job growth in a region comes from nurturing existing businesses, rather than attracting new ones. The following ten articles illustrate examples of how communities are using relationship-building, business incubators, new education initiatives and more to retain their businesses and stay in sync with the rapidly changing worldwide marketplace.

I would like to thank the authors for sharing their knowledge. I trust you will find these articles insightful, and I applaud your interest in growing and keeping your region's businesses.

Sandy K. Baruah
Assistant Secretary of Commerce for Economic Development

Mark your calendar!

EDA, its regional offices, the International Economic Development Council (IEDC) and the National Association of Regional Councils (NARC) are hosting a series of Regional Economic Development Roundtable Symposia in 2007.

Don't miss these opportunities for learning, networking, and training related to EDA programs!

Tuesday, March 13:
Philadelphia Regional Symposium in Philadelphia, on Innovation

Thursday, April 12:
Austin Regional Symposium in San Antonio, on Building Business on the Southwest Border

Wednesday, May 16:
Seattle Regional Symposium in Long Beach, Calif., on Global Gateways

Thursday, June 14:
Atlanta Regional Symposium in Atlanta, topic TBD

Wednesday, September 26:
Combined Denver/Chicago Regional Symposium in Kansas City, Mo., on Entrepreneurship

Attendance is free, but registration is required.
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Putting the Business Back in Business Retention

President, ExecutivePulse, Inc.

By Laith Wardi, CEcD

Globalization. The impact of the Internet. Rapidly changing technologies. The emergence of new, fast-growth overseas economies. These factors are forcing wholesale economic change in communities across the United States and Canada – all valid reasons why business retention and expansion activities in 2007 are more important than ever.

The stakes are high. When a company leaves a town, the loss is measured in cold, hard data: lost jobs, capital investment and tax revenues. The pain, however, is measured in human terms: lives upended, families disrupted, foreclosures on homes. The ripple effect of the loss of a major employer spreads throughout a community – with economic, social and psychological impact.

So it's surprising how many communities throughout the U.S. and Canada still take a cavalier attitude when it comes to the business of business retention. Our opinion is backed by research from the International Economic Development Council: Economic development organizations in every section of the U.S. report that they engage in business retention activities, yet informal surveys show that private-sector employers characterize the efforts of local agencies as focused on recruitment, not retention.[1]

Obviously, there is a disconnect between economic development organizations and the businesses that these agencies are supposed to serve. It's time to make businesses the focus of every business retention program.

The case for business retention

A quick review of the mass media and even economic development publications shows a clear bias toward business recruitment and entrepreneurship. Yet the facts are clear: mitigating risk or seizing opportunity is largely a function of how well we understand and anticipate changes in our business environment. This is true for successful private-sector firms as well as successful nonprofit or public-sector organizations.

In economic development, this understanding can only come from business retention and expansion activities. After all, it is the only time that we are routinely interacting with our existing customer base. Listening to and learning from our existing employers provides us with clear directives that impact all facets of our economic portfolio, including recruitment and entrepreneurship opportunities.

The need to regularly interact with resident companies is underscored by a well-known statistic: up to 80 percent of new jobs and capital investment in any community is generated by existing businesses, not attraction prospects.[2] As every successful private-sector company knows, it makes sense to stretch limited resources by focusing on existing customers – in fact, experts estimate that it is ten times cheaper to retain customers than it is to attract, recruit or market to potential new customers.[3] Business recruitment, in contrast, is time, labor and money intensive.

Yet business retention and recruitment are not mutually exclusive disciplines. An effective customer retention program enhances a community's business recruitment efforts.

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[1] "Business Retention and Expansion" course manual. The International Economic Development Council.

[2] "The Job Generation Process." Dr. David Birch.

[3] The Gartner Group.

Think about it: How does a company in your community benefit from submitting to a 30- to 45-minute interrogation?

One of the main ways that business prospects evaluate a community for investment is by talking to the business owners already there.[4] Are the owners of your local businesses cheerleaders for your community? Local business leaders can be evangelists or detractors, depending on the relationship that you've built with them through your ongoing business retention program.

Business retention is important for those communities that have been consistently successful in attracting new investment as well. What happens to the new firm after the groundbreaking ceremony? Is it forgotten in the rush to recruit more new businesses? A systematic business retention program keeps recent "wins" on the radar screen and ensures that newly won customers are not forgotten as market conditions change.

Done correctly, business retention can provide a roadmap for business recruitment within a market area. A quick analysis of industry composition in your region will reveal growing business sectors or emerging industry clusters that can be fortified by attracting the right types of companies. Knowledge of one's existing customer base should be used to make a compelling business case to these recruitment prospects.

The same holds true for entrepreneurial development. When asked, local companies will openly prescribe a "wish list" of vendors for supplies, business services and a variety of other needs. This target list can be used to spur new business ideas in the entrepreneurial community and attract seed capital.

The state of business retention today

Business retention and expansion is at a crossroads. The global economy has never been more dynamic and unpredictable. Successful businesses have never been more sophisticated. And business demands on economic developers have never been greater.

Unfortunately, this all comes at a time when many economic developers view business retention as a hollow, robotic exercise in data gathering. "I want to come out and survey you today" is a commonly heard refrain.

In many communities, key business customers are subjected to regular "surveying" with no direct benefit to their business, industry or local economy. In this approach, businesses are treated homogeneously, regardless of their individual needs or economic impact. It is an agency-centered approach in which the focus is internal to the local economic development organization and its own needs, such as annual reports or board propaganda. Think about it: How does a company in your town benefit from submitting to a 30- to 45-minute interrogation?

What is needed is a customer-centric approach to business retention, which emphasizes value to the customer and where the survey is only a means to an end. Data obtained from the survey process is then used to develop specific customer knowledge and trigger actions that directly benefit the individual company, or broader programs or policies that benefit the industry, the entire business community and the region. Business retention is essentially a private-sector customer satisfaction program applied to public-sector economic development.

If we are doing our jobs properly, economic developers will deliver customized, bottom-line benefits to these business constituents. The metrics can range from workforce training grants or low-interest financing to assistance in obtaining a zoning variance or receiving a façade grant for a downtown storefront. For the customer, these are tangible outcomes that improve the firm's ability to compete and be successful from our community.

Learning from the private sector

On-line holiday sales in 2006 were expected to rise 20 percent over 2005 levels, growing to an estimated $24 billion.[5] In less than a decade, on-line merchants such as Amazon.com and Barnes & Noble have completely rewritten the rules on successful and sustainable business models using customer relationship management (CRM) and 1-to-1 database marketing techniques.

Pursuit of customer data in the private sector is only a means to an end. On-line retailers are transforming this data into knowledge and using it to cultivate and maintain strong relationships with select customers. These customers come to expect solutions that are seamless and tailored to their unique needs and circumstances. As customer knowledge increases, so does the level and quality of customer service. The focus is always external, squarely on the customer.

Technology – in the form of CRM and 1-to-1 database marketing – allows vendors to anticipate, rather than respond to, customer needs. It allows vendors to treat each customer differently based on the value that the customer generates. A surprising number of economic development professionals don't have this intimate knowledge of their customer base, yet a resident business should be a known commodity in economic, community and workforce development circles.

Economic developers have their own unique set of criteria that define "best customers," including variables such as job

[4] Levine, Andrew. "Getting Inside the Site Selector's Brain." Economic Development Commentary, Fall 1997.

[5] The Purdue Retail Institute and Center for Customer-Driven Quality.

creation, competitive wage rates, capital investment, assimilation of technology, spin-off or multiplier effect and industry clusters. However, in many instances we expend valuable time and resources on customers who don't provide any meaningful return on our investment. Proven CRM and 1-to-1 techniques enable us to define our best customers and give our best service to those companies with the potential to create or retain more jobs and wealth in our community.

Four things economic developers can learn

1. A resident business expects and deserves value each time we interact with them. A question-and-answer interrogation for the sake of the survey is not business retention.
2. No two businesses in your community are the same. Each business has unique needs and potential to generate jobs and capital investment.
3. The more we interact with a business in our community, the more we should know about the business. We should use this knowledge to create highly customized solutions.
4. Business retention is not about data gathering – it is building long-term relationships that give the economic development team an in-depth understanding of the firm, and the ability to customize solutions to solve a problem or seize an opportunity.

In short, it's time to put the business back in business retention and expansion. ★★★

ExecutivePulse, Inc., is a business retention consulting firm that assists communities, regions, states and provinces in implementing systematic, sustainable business retention programs. Reach the author at lwardi@e-pulse.net. For more information, visit www.executivepulse.com.

Key Elements of a Best Practice Program

The foundation of any good retention program is dedicated outreach to the business owner.

Outreach personnel are pivotal to any business retention program. These individuals often give the business community its first – and lasting – impression of the organizations that can possibly assist the firm. Outreach personnel should be passionate about the community and take ownership of the private-sector customer. They should be trained in key aspects of sales and customer service and have a strong understanding of economic development policies and programs.

Make no mistake about it: Outreach is a sales and marketing function – comparable to the sales force for a private-sector firm. Building a relationship with the owner is key – that's why phone, fax or mail surveys should never be confused with face-to-face outreach.

The second element of a systematic, sustainable business retention program is a broad-based team of service providers that can seamlessly provide integrated solutions to client companies. It should include any and all public-sector economic, community and workforce development organizations at the local, regional and state levels that offer programs and tools to help resident businesses succeed. It should also include local government. It may also include private sector firms such as utility companies, lawyers, accountants and bankers. The composition of resource teams can change over time in response to the changing needs of the business community.

The third element is management, and this is often where many well-meaning business retention programs fail. Like the sales manager in a private-sector firm, the business retention manager is responsible for all aspects of the retention program – from creating a target list of firms for visitation and building a team of service providers to marketing the program externally and managing the outreach specialists. Management is the glue that keeps the program together. Without strong management, a retention program is destined to fail.

The final element in business retention is database technology. As providers of a database system for business retention programs, we always surprise people when we say that this is the least important of the four elements. Three of the four elements involve people, because people – the outreach personnel, the team of service providers and a manager with strong people and marketing skills, not technology – make or break a business retention program. Unfortunately, database technology usually generates the most interest, when it should actually be the last consideration in the development of any business retention program.

SmartBusiness:

The Smart Way to Help Halifax Businesses

By Brad Smith

Vice President,
Business Development,
Greater Halifax Partnership

At the Greater Halifax Partnership, we know that the easiest business to grow and expand is the business that already exists in your community. To provide the insight, the expertise, and the support we knew local businesses needed, we established a business retention and expansion initiative aptly called SmartBusiness.

Since June of 2004, we have met with nearly 1,200 businesses, representing over 35 percent of our workforce. But the real measure of the program's success is its effect: Through the direct intervention of SmartBusiness, more than 2,500 jobs have been created or retained in Greater Halifax, the largest city in Atlantic Canada and Nova Scotia's capital.

This article covers key aspects of SmartBusiness's design that we believe make it so effective: the program's branding and marketing; the composition of our Account Executives and Action Team members, who conduct outreach to the region's businesses and respond to their issues; and our proactive response to labor issues that affect the entire business community.

Halifax, Nova Scotia, has a highly educated workforce, hence the "Smart City" brand developed by the Greater Halifax Partnership. The SmartBusiness program builds on this key asset.

Branding and marketing

Why build a brand for a business retention program? Imagine having a no-name soft drink. What makes that sugar and water combination better than any other? Building a brand is about positioning and creating distinction – a way of building recognition and credibility among your partners and customers.

The Greater Halifax Partnership originally was formed around building confidence in our community. Ten years ago, confidence was low. Research conducted at that time into what distinguishes Halifax from competitor regions found that we have the best-educated workforce in Canada, with 63 percent of the working-age population possessing a university degree or a non-university trades certificate or diploma. From that knowledge came our SmartCity brand, and we simply leveraged the high brand equity of that experience for SmartBusiness.

The campaign reinforces business confidence and highlights the fact that Halifax is a great place for business to thrive. It encourages people to visit our Web site or call a toll-free number for more information on ways to grow their business. We advertise extensively in our market, with $400,000 in media space that comes from billboards and local or regional radio, television, newspaper and magazine outlets – all partners who buy into the concept that they are investing in the future of their community through the Partnership. They believe that if we can make the pie bigger, we all win.

The brand works in two areas. From the customer (business) side, when someone from SmartBusiness calls a company to book a meeting, the company already knows something about it and typically wants to learn more. Branding helps answer the question in the businessperson's head: Why would I want to invest my time to meet with these people?

From the partner side (what we call our Action Team, the agencies and people who have the expertise to help the businesses), it helps answer the same question: What's in it for me to partner with SmartBusiness? It builds momentum, awareness and credibility, the chance to "coattail" on success. The partnering organization is in the same boat with SmartBusiness, and both are responsible for delivering on the brand's expectation.

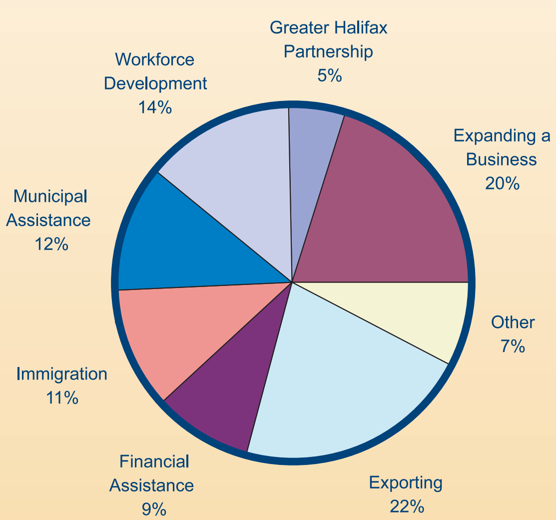
Delivering on expectations

SmartBusiness leaders believe that the credibility of our outreach staff is critical to effective business retention. A core group of business development specialists, our Account Executives, work closely with local businesses to identify obstacles and opportunities. We look for Account Executives who are skilled at building trust and rapport quickly. They understand how a business operates: the difference between an income statement and a balance sheet; where a business is in its life cycle; what's driving that sector; the differences in culture between an IT organization and a manufacturing firm. They have to do much more than read survey questions. Account Executives have to be skilled at probing – even reading body language to learn where to pull more – and getting to the heart of what's going in a business.

SmartBusiness Summary Table
(as of December 31, 2006)

Consultations:	1,153
Employees Represented:	94,286
Jobs Created:	1,145
Jobs Retained:	1,426
Action Team Members:	26
Referrals Generated:	731
(86% close rate)	

Breakdown of referrals
(as of January 18, 2007)



The Partnership takes the role of its Account Executives so seriously that we engage them in a mock CEO interview as part of the hiring process. They are given the name of a real local company and are expected to find out everything they can about the company and its industry before the "interview." During the interview, we throw out clues to key issues that the potential Account Executive should pick up on, because this is exactly what a CEO will do: They will test the person who comes to talk to them about their business issues to make sure their visitor knows what they're talking about. Account Executives are the face of our organization. If they don't carry well in front of the business, then our brand equity suffers.

Once a company raises an issue with an Account Executive, the problem is entered into our data management system and routed to one of the Action Team members, a group of 26 senior business people and government officials who have the resources to respond to issues faced by local businesses. These agencies or service providers include a telecommunications company, a credit union, city hall, Nova Scotia Community College, the workers' compensation board and an immigrant settlement services agency, among others.

To ensure that these organizations are responsive to businesses, SmartBusiness has identified an individual at each one who acts as a champion within the organization. These individuals know what SmartBusiness is about, and they have the senior-level support to take a problem to the right people in the organization and get it addressed immediately.

For example, Halifax city government is a big organization, so the Partnership doesn't have the ability to identify all the city staff who could potentially be helpful to businesses. Instead, we sold the idea of one point of contact to the city council, mayor and city manager, and now one person is responsible for catalyzing the city's response to business issues. When he comes down the hall to a city department, looking for assistance, he is coming with a SmartBusiness referral that has the full support of the leadership.

To ensure a high level of engagement from the Action Team, Account Executives meet one-on-one each quarter with each Action Team member in an effort to continuously learn about the products and services offered to businesses. The Partnership also publicizes the successes that come out the Action Team's response to business issues. The team member that solves a business's problem is recognized in the media, and it builds a positive peer pressure – other Action Team members want to be recognized for their contributions as well.

By the end of 2004, we were working with the Action Team on more than 200 referrals. About 60 percent were information-based, handled by linking businesses to the right resources, agencies and advisors to help them move ahead. Another 40 percent were project-driven, involving specific issues. These efforts helped retain approximately 800 jobs and created another 500. In 2005, we had a direct impact on retaining or growing about 1,000 jobs. Last year, we worked with companies throughout Halifax that together employ more than 33,500 workers.

Ideas, answers and education

In addition to dealing with company-specific issues, we regularly identify and address issues common among companies in our market. For example, our consultations revealed that work ethic and employee attitude were areas of significant concern among area employers. In fact, almost one in five companies visited listed these attributes as deficient in employees today. Our research concluded that companies looking to hire are finding that job seekers' expectations are too high, leading to a disconnect between employee and employer in terms of what is offered and what is expected.

In response, the Greater Halifax Partnership brought in Dianne Buckner, a business journalist and host of the Canadian Broadcasting Corporation's weekly business program "Venture," for an issue-focused luncheon that attracted more than 200 businesspeople. Ms. Buckner spoke about the issue of work ethic, the shortage of labor and the challenges that employers are facing in these areas. She offered compelling evidence of the need to tackle this issue and how business could do just that.

In advance of the luncheon, the Partnership invited a select number of local businesses and Venture producers to discuss labor issues in a smaller group setting. Venture subsequently returned to Halifax to film at the Partnership and some of our local companies, specifically around the issue of labor.

We discovered that significant workforce issues also exist in manufacturing, so we implemented a project to collect best practices in retention and recruitment for this vital sector. The project included:

- Inviting manufacturers to comment about their own challenges and particular areas of interest relative to employee recruitment and retention;
- Conducting one-on-one consultations with local manufacturers to probe explicit challenges in this area;
- Holding focus groups to verify that identified best-practice strategies for recruiting and retaining employees will work for local manufacturers; and
- Developing an interactive, on-line assessment tool for manufacturers.

This project is now wrapping up. Our plans include sharing the information directly with the Canadian Manufacturers & Exporters and manufacturing companies in Halifax. The project also will be used as a template for future spin-off projects from SmartBusiness.

Workers' compensation consultation

During SmartBusiness consultations, a number of business leaders raised concerns about the workers' compensation system in Nova Scotia. To help foster discussion and resolution, we compiled comments from more than 1,200 consultations and provided them to the Workers' Compensation Board (WCB), an active participant in the SmartBusiness Action Team. The WCB made a commitment to build on the relationships developed through SmartBusiness to further engage the business community.

The SmartBusiness model is now being emulated by regional, national and international organizations.

Last spring, the Partnership organized a briefing with Nancy MacCready-Williams, CEO of the WCB, and 15 SmartBusiness clients to gain additional insight and clarity around what works and what needs improvement.

Ms. MacCready-Williams revealed some shocking statistics, outlined exactly what WCB is doing to make workplace safety top-of-mind for Nova Scotians, and reviewed WCB's current work around injury prevention and back-to-work programming. Attendees then had a unique opportunity to communicate their specific challenges and ask questions.

As a result, the Partnership helped bridge the divide between the WCB and key employers. The WCB is now working with us in ongoing consultations with businesses. These consultations educate the business community about their responsibility in helping to lower the WCB rates in their own industries, and allow businesses to educate the WCB about challenges they face.

A model for success

With investment of $1.5 million per year from 140 organizations – the highest investment per capita of any economic development organization in North America, at $3.50 – the Greater Halifax Partnership's investors clearly see the value. In fact, the SmartBusiness model is now being emulated by regional, national and international organizations. We've had calls from all over Canada and the world due to recognition of our program's success, recently consulting with economic developers as close as Moncton and Winnipeg and as far away as Iceland, Romania and Ukraine. The demands on our time have become so great that the Partnership has set up a separate consulting practice in response.

In 2006, we were proud to have our leadership role recognized by the Economic Developers Association of Canada (EDAC), which presented the 2006 EDAC/RBC Financial Group Development Achievement of the Year Award to the Partnership. But most importantly – thanks to efforts of the Partnership, its Action Team, investors and other stakeholders – research shows that business confidence in Greater Halifax is at an all-time high. Now that's smart business. ★★★

For more information, visit www.greaterhalifax.com.

Relationship-Building and Business Retention:

The Community Call Blitz Program

By Terry Dickey

Director, Economic Development, Cincinnati USA Partnership

Local business growth may not make headlines, but it drives the local economy. As companies grow, their needs evolve, giving communities and economic development organizations the opportunity to play an active role in retaining investment and jobs in their regions.

Among the many initiatives an economic development organization can undertake to help retain and grow local businesses, none is more valuable than building a relationship with a company's top decision-makers. Such relationships with corporate leadership enable a community to position itself as a valuable source for information and assistance, further enhancing the community's chances of securing job growth and retention.

The Cincinnati USA Partnership, a regional economic development initiative representing a three-state, 15-county region known as Cincinnati USA, has developed a program to engage both local business leaders and community investors. The Community Call Blitz is a business visitation program that concentrates efforts on a single community for a short, defined time period, enabling the community to collect invaluable business data and build long-term relationships with business leaders.

Given the number of cities and townships within the Cincinnati USA Partnership's region, the program is a critical way of providing focused attention and value to its stakeholders. The Partnership's Regional Business Retention Committee (RBRC) manages three to four Community Call Blitzes a year, in addition to industry cluster blitzes and regular meetings with 200 business leaders throughout the region.

Building a Community Call Blitz program

The City of Blue Ash is an investor in the Cincinnati USA Partnership and its economic development director, Judy Clark, is an active volunteer on the RBRC. In March 2006, Clark and the committee collaborated to conduct a blitz of Blue Ash businesses.

As a first step, the Cincinnati USA Partnership and the City of Blue Ash agreed on a date for the blitz. The Partnership then worked with the community to identify a list of companies to meet with, because the objective of the program is not to cast a wide net but to work with targeted companies. Criteria for determining which companies land on the list may include those the community does not have a relationship with; companies that are rumored to be planning to add new jobs; or companies facing challenges with zoning and planning. The Partnership recommended that the City of Blue Ash start by targeting 150 companies, as our methodology typically has a 30-40 percent positive response rate from the corporate community. Blue Ash's Community Call Blitz yielded 42 face-to-face meetings with its companies.

The methodology begins with letters on community letterhead mailed to the targeted business leaders on behalf of the community. The letters are co-signed by the Cincinnati USA Partnership facilitator and the local community conducting the blitz. Each letter begins and ends with an expression of gratitude to the business for operating in the community. The letters include an overview of the community organization and its affiliation with the Cincinnati USA Partnership, as well as information on the purpose and process of the blitz. The letter requests a short time commitment for a conversation about the needs and concerns of the company and highlights that the blitz call is not a sales call.

The blitz itself is limited to a week to sustain momentum and to motivate volunteers in a high-energy environment.

To add further credibility, each letter clearly states that the company was selected from among hundreds, if not thousands of area companies.

Shortly after the letters reach their recipients, the community representatives and the Cincinnati USA Partnership call the companies to schedule appointments. This step occurs approximately three weeks prior to blitz week. A prompt follow-up call to the letter is essential and helps to assure a very positive response rate. A point person at the community level is designated to keep track of all key information in an appointment call sheet.

The blitz itself is limited to a week to sustain momentum and to motivate volunteers in a high-energy environment. One week before the blitz, the Cincinnati USA Partnership and community staff divide the list amongst themselves and the RBRC volunteers in order to cover all of the scheduled appointments. Throughout the weeks leading up to the blitz, Partnership staff are available to train volunteers to ensure consistency in the collection of information.

The City of Blue Ash chose an approach unique from past blitzes. Clark paired RBRC volunteers with City of Blue Ash staff members from across various departments – from the Parks and Recreation Division to the city manager's office – in order to conduct joint appointments and provide a higher level of comfort to the city staff who would be conducting the meetings. City of Blue Ash employees received training from the Cincinnati USA Partnership on how to lead a meeting in order to develop a relationship with business leaders in the community.

"We have internal discussions about customer service and the importance of creating a positive image of our community," says Clark. "Sometimes staff thinks it's only one department's responsibility, but when it comes to projecting a positive community image, we need all hands on deck."

Ensuring a successful company meeting

Prior to each appointment, volunteers are expected to familiarize themselves with the companies on their visitation lists. This pre-meeting research is critical to building a genuine rapport with company leadership. Once on site, volunteers thank the executive on behalf of the community for operating their business in the area. The volunteer then explains that the purpose of the blitz is twofold: one, to help the community understand the company's needs, and two, to help support the company in its growth.

Businesses are asked to identify any needs or concerns they face, such as zoning, permitting, workforce development or assistance with expansion plans. Volunteers use a 43-question survey to guide the discussion, but naturally, the flow of each meeting varies. Oftentimes, company executives are handed a copy of the survey at the onset of the meeting. Some company executives use the survey to guide the discussion, while others prefer to have a conversation about their operations and the challenges they face.

Thus, it is important that the volunteer has a good understanding of the survey and is able ask the questions in a conversational format. Seldom is there any mention of a survey prior to the meeting. We believe that the mention of a "survey" prior to the appointment carries a negative connotation and can impede the goal of candid dialogue during a face-to-face meeting.

After the blitz: Analyzing key findings

After the last meeting is concluded, the Cincinnati USA Partnership aggregates the data from each question and benchmarks it against regional aggregate numbers from the previous year. The Partnership can tailor each report to the specific needs of the partner community, but it generally includes:

- An aggregate report on each of the questions asked, complete with detailed charts and graphs
- A list of companies with expansion plans
- Comments about operating in the community
- A copy of the appointment call sheet
- A roster of the Cincinnati USA Partnership staff and volunteers

Through the blitz, the City of Blue Ash acquired critical information that officials may not have learned otherwise. For example, of the 42 companies surveyed, 70 percent

Sunny Delight is one of the many companies that participated in the City of Blue Ash's Community Call Blitz.

Companies participating in the program appreciate the attention to their needs, but the smaller companies are especially grateful that the community recognizes their value and is willing to help them grow.

expected to expand their operations in the next three years, at an average expansion cost of more than $300,000. The majority of respondents – 74 percent – also plan to increase their number of employees. Another benefit of the blitz, according to Clark, was "not just learning more about what organizations plan to do in the area of growth, but also hearing their experiences anecdotally, why they felt Blue Ash is a good place to do business."

The key findings and success stories from the blitzes are presented to the local city council and county commissioners by the Cincinnati USA Partnership and the local community representative, helping reinforce the value that the community receives from its investment in the Partnership.

Following up

The process does not end at the close of the blitz. Requesting an executive's valuable time and insights, only to disappear from the scene, reflects badly on all those involved. A level of expectation has been set from the beginning that someone will follow up to assist the company with its needs. Although the Partnership is available to offer support to the community, ultimately, the follow-up must happen at the community level. If the community lacks the capability to do this, it may not be ready to execute a Community Call Blitz.

In addition to sending thank-you letters to all company executives, letters are also sent to the companies that did not participate. Sharing select program results with local business leaders may encourage them to be part of the process in the future. As a token of gratitude, the Cincinnati USA Partnership or local community may offer participants a gift. For example, the City of Blue Ash offered VIP passes to the city's annual Taste of Blue Ash event.

Overall, companies participating in the program appreciate the attention to their needs, but the smaller companies are especially grateful that the community recognizes their value and is willing to help them grow.

"One thing we kept hearing from companies throughout the blitz week is, 'We're small. I'm surprised you came to see me because I'm so small,'" explains Clark. As smaller companies grow larger, the blitz program provides greater returns in the future because "we as a community cared enough when they were small to stop by and learn about their business," says Clark. This attention encourages the company to continue operating in the local community, in addition to building rapport with company executives.

A win-win scenario

All parties engaged in a program such as the Community Call Blitz gain from their efforts:

- Communities like the City of Blue Ash win by proactively identifying the challenges facing their local businesses and by attempting to secure their commitment to continue operating within the community.
- The Cincinnati USA Partnership is able to increase its value proposition to the community investor by facilitating, training and guiding the blitz process. That increases the chance that a community will retain its commitment to investing in the Partnership. Additionally, participating companies are introduced to the Cincinnati USA Partnership and its collaborative efforts to retain companies in the region and to promote new investments and jobs.
- Volunteers earn valuable "face time" with busy corporate executives and learn to cultivate important relationships. They also garner a greater understanding of a particular business sector.
- The participating company wins by having an opportunity to express its needs and to receive follow-up attention from the appropriate community official. The follow-up may involve incentives for a project, assistance with permits, help with workforce challenges, and so on.

Clark plans to adopt the Community Call Blitz Program as a community-driven initiative. She is assembling a year-round team that will include local businesses and city staff members, and plans to provide them with additional training and resources. Clark hopes to compare blitz results year after year. The ultimate reward, according to Clark, is hearing area businesses say, "I belong here and my investment is appreciated and valued." ★★★

For more information, visit www.CincinnatiUSA.org.

Making the Most of Statewide Business Retention, Expansion, and Modernization Efforts

By Will Lambe and Bill Schweke, CFED

The practice of business retention and expansion (BR&E) is an art as well as a science. It involves orchestrating an ever-expanding range of private, public and nonprofit services while, at the same time, managing the delicate balance between being reactive (to what a firm says that it needs) and being proactive (anticipating and dealing with a firm's problems before they become problems, as well helping an enterprise realize its potential for business success).

We argue that a state-led initiative to create a proactive BR&E system is both needed and possible. This article summarizes four proactive precedents and recommends ways to adapt elements from each when building a statewide, seamless and accountable "family" of services.

Obstacles to proactive BR&E

Developing a strategic and anticipatory retention, expansion and modernization policy is discouraged by two major factors. First, given the existing incentive structures within the field of economic development – and always limited human and capital resources – developers tend to focus on recruitment. Second, there's a pervasive market mythology which tends to regard all shutdowns, relocations and downsizings as pre-ordained and rational. The widely held perception is that, for manufacturing at least, the handwriting is on the wall: The industry is only viable if it goes off shore, because we can't compete with China's wages. Furthermore, if a firm's management cannot turn around their business, there's no way a government program or nonprofit could pull this off, right?

Well, not necessarily. Firms shut down or relocate for lots of different reasons, and not all of them are hopeless scenarios. We are not calling for wasting professional and fiscal resources on firms that are poor candidates for either proactive or rescue services. There will be times to help a firm survive and times to write it off and get on with helping its workforce transition to new employment. However, a proactive and coordinated BR&E effort is often possible, can actually preserve public resources over the long-term, can save "good" jobs from being outsourced, and is worth the effort.

A proactive and coordinated BR&E effort can actually preserve public resources over the long-term and save good jobs from being outsourced. Photo courtesy of SEWN.

Most states and local or regional economic development entities devote some resources to the practice of BR&E. The most common challenge – and one that substantially limits the effectiveness of many BR&E programs – is the coordina-

tion of resources in a varied, multi-sector landscape. In today's manufacturing climate, with vertically integrated supply chains and ultra-specific niche technologies, BR&E must be a sleek, contemporary and efficient operation.

From the state level, the questions that policy makers and practitioners ought to be struggling with are:

- How to maximize the effectiveness of BR&E programs across varied localities;
- How to create a system that is proactive enough to prevent unnecessary shutdowns;
- How to maximize subsidiarity, so that decisions are pushed to the lowest level able to manage them, or as close as possible to those who will ultimately benefit;
- How to bring all the relevant stakeholders together around the same table in a varied range of retention cases, and provide access to the specialized expertise that will be often required;
- And finally, how to create and sustain a system that's politically feasible.

In an effort to answer some of these questions, we have identified four examples of BR&E programs that are proactive by design, and that bring together a wide range of services in order to maximize their effectiveness for small to mid-sized manufacturing firms. The common theme across each of these models is that they serve manufacturing customers in their respective states.

In addition to providing direct service, each of these models has a "catalyzing" and "brokering" function – that is, they work across organizational lines to bring appropriate resources to manufacturing firms. Each has a different organizational structure and level of authority, so they use different means for creating synergies between relevant BR&E players. These four models also vary by geographic scope, age and funding sources.

Four models

The Strategic Early Warning Network – SEWN (Western Pennsylvania)

The Pennsylvania Steel Valley Authority's Strategic Early Warning Network (SEWN) is a sub-state, nonprofit layoff-aversion contractor. SEWN was launched in 1993 to monitor industries in southwestern Pennsylvania and develop strategies to retain key manufacturers and other businesses when they appear to be at risk of closure or major downsizing. The network provides confidential, efficient operational and financial restructuring, turnaround, buyout and labor management services to firms in distress. SEWN is unique in its strategy to bridge private market solutions with public resources: It implements market solutions supported but not dictated by public economic development assistance for troubled firms.

Since 1993, SEWN has worked with approximately 450 companies representing over 25,000 full-time employees. The network has contributed to the retention or creation of 12,400 jobs over this period. In addition, SEWN has saved the Commonwealth of Pennsylvania hundreds of millions of dollars in wages that would otherwise have been lost, plus taxes and required income supports. The network, which got its start in 10 counties, grew to 21 countries and was recently expanded by the Rendell Administration to cover a total of 49 counties.

Foundations for Growth (Alabama)

Foundations for Growth is a statewide program that was initiated by the Economic Development Partnership of Alabama Foundation (EDPA Foundation) to help strengthen programs and policies for Alabama's existing industry. The initiative employs a state-of-the-art software application along with a consistent set of business visitation procedures to enhance BR&E efforts throughout the state.

EDPA Foundation purchased a master license for the Synchronist business retention and expansion software program. Access to the software is made available to any local or regional economic development organization in the state through licensing agreements. The program's approach to data collection is to sell local communities on the concept and then provide the necessary support elements (software and training).

Representatives at the county, multi-county or regional level organize themselves and contact EDPA to work out agreements. This helps to create new and better relationships and provide effective follow-through on issues and problems raised in the interviews. The program has two key goals: to help local economic developers create a consistent approach for building relationships in their respective communities, and to help the economic development community analyze and understand trends both in their local regions and statewide.

In 2004, the EDPA Foundation offered Foundations for Growth to all 67 counties in Alabama. In less than one year, more than half of the state's counties had signed on to this system. Today, 52 Alabama counties are participating. In its first year of operation alone, the program had positively impacted more than 300 Alabama businesses.

Westside Industrial Retention and Expansion Network – WIRE-Net (Cleveland, Ohio)

The Westside Industrial Retention and Expansion Network (WIRE-Net) is a membership-based economic development organization that seeks to retain, grow, and attract manufacturing-related businesses and to link leaders to each other and to Cleveland's west side community. WIRE-Net's approach to the issue of industrial retention is to combine labor force programs with direct assistance to member firms.

With local manufacturers as its primary constituency, WIRE-Net offers a number of programs, including manufacturing and technology assistance, peer-to-peer learning, inter-firm collaboration, manufacturing advocacy, and an array of business consulting services. As a pioneer of "neighborhood-based industrial cooperation," WIRE-Net acts as an intermediary between businesses and the community. WIRE-Net's membership structure creates a unique environment of collaboration between companies and economic developers, allowing the retention efforts of WIRE-Net to reach beyond traditional "outside the plant gate" issues such as workforce and infrastructure to inside issues such as management assistance and strategic planning.

In 2004, WIRE-Net served 271 companies, helped 134 residents find jobs in area manufacturing-related businesses and created a coalition of Ohio manufacturers to promote policies to enhance the region's manufacturing capabilities. WIRE-Net's impact on west side businesses was similar in 2005, when it served about 300 companies and 13,000 workers.

Ohio Employee Ownership Center, Kent State University

The Ohio Employee Ownership Center (OEOC) is a non-profit, university-based program working out of Kent State University to provide outreach, information, and preliminary technical assistance to Ohio employees and business owners interested in exploring employee ownership. OEOC's activities are designed to promote employee ownership under a variety of circumstances, from succession planning to employee buyouts. It has also established that employee ownership can be a major tool to anchor capital and jobs locally as part of an overall economic development strategy. OEOC is the most successful, longest-running organization of its kind.

Since 1987, OEOC has helped 515 Ohio companies and 98,000 workers explore the possibility of employee ownership. Of these companies, 77 have implemented partial or complete employee ownership plans. OEOC's technical assistance work has grown to include succession planning seminars for business owners, training for employees in employee-owned companies, and screening of projects for government feasibility grant funding.

A path forward

Drawing from these examples, we recommend that a proactive, state-level BR&E system have the following elements:

- Protocols from the state to the local level which identify and define specifically the roles of key organizations and service providers in retention, expansion, and modernization cases.
- Local developers – those with the closest links to manufacturing firms in their communities – as the primary contacts between firms and public-sector retention services.
- A state-level entity with the technology and authority to collect aggregated data from a professional, statewide and uniform business visitation and survey endeavor. This should include state-level support to communities in their efforts to collect data on existing industries. Data would allow for analysis of industry trends and constitute the start of an early warning network.
- State support for educational workshops on succession issues, targeting older business owners to help avoid the eventuality of messy transitions and unnecessary closings.
- State support for initiatives to improve supplier chain productivity, to help small and mid-sized firms crack foreign markets, to strengthen cluster strategies, and to adopt higher value-added product lines.
- State-supported brokering of business and technical services through contracts with private-sector consultants and training organizations.
- State support for existing industries to explore better ways of motivating employees and sharing productivity gains through employee ownership, bonuses, profit sharing, open book management, stock options and gain-sharing.

Our manufacturing future is only preordained if we throw in the towel and stick with what worked in the past.

Thus, we are actually blessed with many options for creating a proactive system of business retention, expansion and modernization. Our manufacturing future is only preordained if we throw in the towel and stick with what worked in the past. There is a better future for manufacturing-intensive states, if we try. ★★★

This article is an adaptation of a policy analysis entitled "Business Retention and Expansion: 'Synergizing' Service Delivery: A Comparative Analysis for Saving North Carolina's Existing Industries," available at: www.cfed.org.

Will Lambe was, when this research was completed, a Research Assistant at CFED in Durham, N.C. Bill Schweke is a Vice President at CFED in Durham and has been involved in researching and designing business retention, expansion, and modernization strategies.

Chicago's New Direction:

Leading the Race to the Top in Global High-Performance Manufacturing

By Dan Swinney

Executive Director, Chicago Manufacturing Renaissance Council

For years, the media has largely portrayed the decline of manufacturing and the resulting increase in poverty and distressed urban communities as inevitable. No doubt, America's once-robust manufacturing economy has suffered greatly as a result of globalization. Emerging technologies in India and China and the steady stream of jobs moving overseas have many people convinced – some manufacturers among them – that there is little that can be done to redirect manufacturing's downward slide.

But in Chicago, the voice of a unique public-private partnership is rising above the manufacturing death knell to spur action, educational reform and innovative business practices, with the goal of making Chicago a world-class center for high value-added production. The Chicago Manufacturing Renaissance Council, created in July 2005, is a federation of labor, business, government, education and community-based agencies that has embraced the challenge of leading the race to the top in global, high-performance manufacturing.

Chicago, like many other U.S. cities challenged by de-industrialization, has seen heavy job losses since the 1980s (approximately 200,000) and hordes of manufacturing companies go belly-up (about 4,000 out of 7,000). Predominately black, inner-city communities were the hardest hit by swift and widespread plant closures. Many are still reeling from the losses in the form of increased crime, poverty and staggeringly high unemployment rates.

The Council's co-chairpersons include commissioners from the city's Department of Planning and Development; the Mayor's Office of Workforce Development; the secretary-treasurer of the Chicago Federation of Labor; and the former chairman of the board of the Illinois Manufacturers' Association. Its executive committee includes 15 top leaders from business, government, labor, community and education.

The Chicago Manufacturing Renaissance Council's Skill Standards committee meets at Winzeler Gear Company. The committee aims to promote comprehensive standards for manufacturing training.

By bringing together all the stakeholders that hold sway over economic development, job creation and the rebuilding of blighted communities, the Council is poised to develop long-term, "high road" solutions to help manufacturing companies:

- become more innovative in production;
- reinvest in equipment and in their workforce;
- improve the educational institutions that produce the next generation of workers; and
- ensure that government and labor support the sustainability and growth of manufacturing companies.

What has become clear in recent years is that these companies do not have the capacity to solve their workforce challenges alone.

The Council's first major victory came in November 2006, when it won approval from the Chicago Board of Education to open a new school focused on manufacturing, called Austin Polytechnical Academy. The Council also is spearheading an assessment of Chicago's community college system in light of best international practices, and working on a research and marketing initiative to promote the use of the National Institute of Metalworking Skill Standards by local companies and schools. In 2007, the Council aims to create a network of manufacturers that will allow small companies to compete more effectively in the global economy.

Research into manufacturing's viability

The Council has its origins in a 2001 analysis of the manufacturing workforce development system in Cook County, called "Creating a Manufacturing Career Path System in Cook County." The study was conducted by the Center for Labor and Community Research (CLCR), of which this author is also executive director, and sponsored by the Chicago Federation of Labor with funding from the U.S. Department of Labor.

Our research uncovered a public education system that was failing to meet both the general education needs of students and the skill needs of the manufacturing sector. The study outlined a 20-year strategic plan that included actions such as the creation of small schools linked to the manufacturing sector; the transformation of our community college system; the creation of a system based on national skill standards in manufacturing, with a broadly recognized method for certification; and the development of career paths.

The questions then were the same as they are now: Is the loss of manufacturing in the U.S. inevitable because of globalization and new technology? Can U.S. companies and communities do anything to stem the loss? And can we further develop manufacturing as a foundation of our economy?

After looking at hundreds of companies in crisis in Chicago and around the country, the CLCR researchers concluded that there is a way for communities to retain the important manufacturing sector. The truth is that most companies didn't close because of global competition. Some companies folded because they were producing antiquated products; slide rule manufacturers come to mind. In addition, the CLCR investigation showed that many of the larger U.S. companies closed because of business plans that were focused on short-term returns, rather than long-term competitiveness. Publicly held manufacturing companies that could have survived and thrived instead were bought by investors and milked as cash cows. In the 1980s and 1990s, it wasn't unusual for major companies in Chicago to change hands four or five times in a 10-year period.

Still, 90 percent of manufacturers are privately held companies with fewer than 100 employees, and these employers were struggling to face the challenges of ownership succession, weak management or inadequately trained and educated employees – all in a global environment that was becoming more competitive. Today, we know that these challenges can be successfully addressed through proactive initiatives by business, labor and government, provided everyone is willing to explore new relationships and responsibilities. Overall, the CLCR concluded that 80 percent of the companies lost in Chicago could have been saved.

Getting private industry on board

The Illinois Manufacturers' Association (IMA), which represents some 4,000 manufacturing companies in Illinois, immediately took interest in the CLCR's approach as presented in the 2001 report. While some of the IMA member companies are larger firms that have the ability to move around the world in order to solve their workforce challenges, more than 85 percent of IMA members are small, privately held companies with limited resources. These manufacturers are facing a loss of 40 percent of their workforce over the next 10 years

The IMA commissioned the CLCR to conduct a study on Illinois manufacturing and its challenges. The report, "The State of Illinois Manufacturing," challenged the IMA to form a partnership with labor, government and community groups around a common vision: Illinois leading the race to the top in global, high-performance manufacturing.

The stakeholders recognized that in the global economy, Illinois would continue to lose low-skill jobs to developing countries such as China, Mexico and India. While they wanted to save as many jobs as possible, all agreed that the focus going forward should be on competing in the high value-added sector of manufacturing and making complex products. Manufacturers in Illinois could create a competitive advantage by making the products that companies can charge the most to produce.

This type of production requires a world-class education system, as well as world-class social, physical and technological infrastructure. Mutual investment and mutual responsibility by both the public and private sectors were needed to achieve this goal. As an important first step, the Council took these ideals and focused on creating a manufacturing-centered high school in the Austin community.

Austin Polytechnical Academy

Austin Polytechnical Academy will be a small "performance" school – different from a charter school – employing teachers from the Chicago Teachers Union. The school is scheduled to open in the fall of 2007 with a freshman class of 140 students, adding one class per year to eventually reach a size of 550 to 600 students. It will be one of two small schools that will occupy the four-story building that was once Austin High School.

Austin Polytech will be a "school of choice" – similar to a magnet school, but without entry requirements – focused on recruiting students from the Austin neighborhood. Residents of Austin, once a stable, working-class community, have witnessed the dramatic loss of manufacturing companies and jobs over the last 25 years. The loss of industry contributed to Austin's decline, and the neighborhood now has high rates of families and children in poverty (30 percent of residents live below the poverty line). In addition, less than two-thirds of the population over age 25 has completed high school (the national average is around 85 percent).

So far, 23 companies have signed a letter of commitment with the school to provide general support (such as funding or equipment); work exposure for freshman students (e.g.,

DeCardy Diecasting, which has been manufacturing high-precision parts in the Chicago area for nearly 100 years, is one of the Austin Polytech partner companies.

field trips to the companies, or visits from company representatives to classrooms); internships and summer jobs for students starting in their sophomore year; and prospects for full-time employment upon graduation. Companies, as well as teachers, community members, parents and students, will be represented on the governing body of the school. The school also will employ a full-time industry coordinator to work as an intermediary between companies and schools.

Austin Polytech will be linked generally to careers in modern manufacturing and primarily to the metal-working sector. However, the school will be much more than an update of the traditional vocational education model that typically led to limited economic opportunities. Austin Polytech's administrative team will promote career paths in skilled production and technical positions, as well as management and ownership of companies – preparing students both for college and for employment immediately after graduation.

Austin Polytech Partner Companies

- S&C Electric
- P-K Tool and Manufacturing Co.
- Ace Industries
- Eli's Cheesecake
- Graymills
- Stock Gear
- Federal Mogul
- DuRite Screw Machine
- DeCardy Diecasting
- Tempel Steel
- Electro-Technic Products Inc.
- Hudson Precision
- Chicago Metal Fabricators
- EJ Basler
- Label Master
- Camcraft
- Winzeler Gear
- Freedman Seating
- WSM
- Modern Process Equipment
- Quality Control

The curriculum will be anchored in a pre-engineering program called Project Lead the Way, with a focus on machining. Project Lead the Way has an outstanding reputation in assisting minority students to get placed in engineering schools. Each student will graduate with at least two National Institute of Metalworking Skills credentials and perhaps as many as eight, qualifying them for immediate employment in skilled positions out of high school.

And Austin Polytech is international in outlook, recognizing that key competitive sectors in the global economy can be maintained by understanding and employing international best practices in both production and education.

Toward that end, we have established a working partnership with the Aldini-Valeriani school in Bologna, Italy, an international center for innovation in modern manufacturing. This school was founded in 1844 from the inheritances of two local inventors and has been called the "cradle of entrepreneurship" in Bologna. Bologna's world-famous packaging industry was essentially built by graduates of the Aldini-Valeriani school, who effectively used their combination of entrepreneurial and technical skills to start the small and medium firms that make up the region's globally competitive packaging "district" today. Fifteen percent of the school's graduates end up owning local companies. The school also has traditionally played an important role in technology transfer. Always at the cutting edge, it often brings new knowledge, machinery and technology to the local economy ahead of the businesses themselves.

Leading to the top

Through a determination to lead the race to the top, the Chicago Manufacturing Renaissance Council is mobilizing the talents of residents and students in one of Chicago's poorest communities to demonstrate the transformative power of a vibrant manufacturing economy.

Perhaps in the near future, headlines will reflect the growth and opportunities that remain in the manufacturing economy, and optimism will replace the resignation that has allowed the decline of this important sector. ★★★

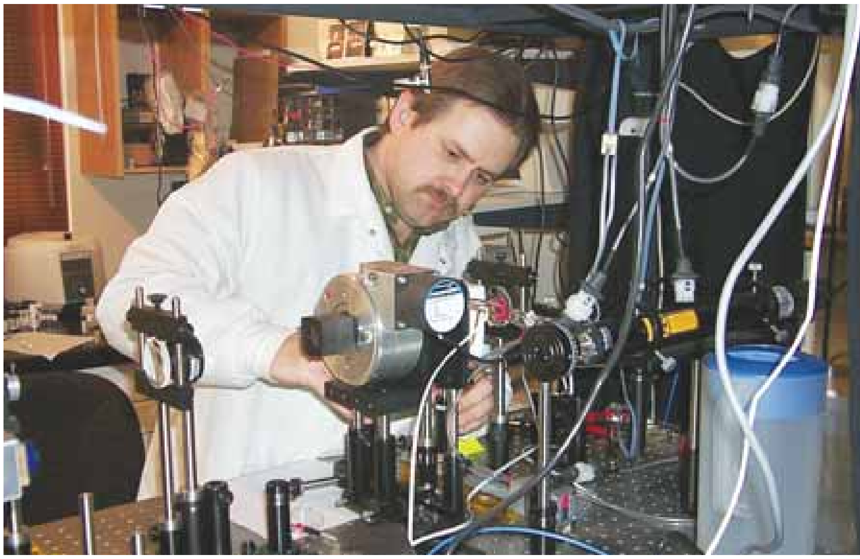
For more information, visit the Center for Labor and Community Research Web site at www.clcr.org and the Chicago Manufacturing Renaissance Council Web site at www.chicago-manufacturing.net. For more information on Austin Polytechnical Academy, visit www.clcr.org/austinpolytech/.

Five "Musts" for Business Incubator Success

By Dinah Adkins

President & CEO, National Business Incubation Association

It is little short of astonishing how much has changed in the world of entrepreneurship support in the last 30 years, and this field will certainly continue to evolve rapidly. Unbelievably, few people even considered the importance of emerging companies to our local and national economies in the late 1970s. Now, there are more than 1,100 business incubation programs in the United States – and as many as 5,000 around the globe – and colleges and universities everywhere are initiating or expanding programs to teach entrepreneurship and support local start-up businesses.



University incubators help take new technologies from the lab to the market. AlphaMicron applies liquid crystal technologies to curved plastic surfaces such as sunglasses. Founded by researchers in Kent State University's Liquid Crystal Institute, the company got its start in the Kent Business Incubator in Kent, Ohio. Today, it's a Fortune 500 company with clients in the military and corporate America.

More and better programs will come into being aimed at helping entrepreneurial firms to succeed – in every community, urban and rural. If you've any doubt of this, reflect on the changes that have occurred in just 30 years in the technology arena – personal computers, GPS technology, cell phones, PDAs, digital cameras, and even fax machines all were invented over the past three decades.

The same is true in entrepreneurship support. In 1977, economic development was virtually all about "smokestack chasing," attempting to attract big plants to Ohio from Michigan, for example. Few individuals were giving much attention to start-up companies. University business schools taught how to succeed in corporate America, and a great deal of technology developed in companies and university or government labs sat on the shelf, uncommercialized. Only a few, elite start-up companies had access to angel investors or venture capital, and few organized groups of investors existed outside the largest cities. Fledgling firms, which didn't have access to these sources of capital, also tended to be rejected when they looked to traditional banks for credit.

While it was obvious that virtually all large corporations had started as small companies, it was impossible to get an education in starting a business outside of the school of hard knocks. It was as though we expected entrepreneurs to be born with that experience – even as we recognized that, to grow up to be successful citizens, our children needed education, mentoring and networks of support.

But by 1980, there were 10 to 15 fledgling incubators operating in the United States, and this movement shortly became a global one. A few of these early programs have now celebrated more than a quarter century in operation.

What a learning time it's been! Yet some of the lessons have been tough. Communities have invested in incubation programs that either failed or didn't live up to expectations. Taking this into consideration, I ask you to consider several key "musts" for business incubation success. Even if you already operate a business incubation program, these ideas may help you improve your operations and service to entrepreneurs. If you are thinking about developing a business incubator, these should be considered vital to your effort.

1. A successful incubator must be grounded in the real world of business and have deep support from the local business community.

It is interesting that many business incubators are sponsored by colleges and universities, local economic development groups, and local governments. These are not, inherently, business-like organizations. In fact, they may be, to a greater or lesser extent, too bureaucratic and/or academic to successfully operate a business incubation program.

It is almost axiomatic that governments cannot set up successful incubators as governmental departments and hire a bureaucrat to take charge. This situation is equally hard for many universities, particularly if they put a professor in charge. While government or academic support can contribute significantly to the resources available to develop and operate a successful incubator, it's frequently best for the sponsor to be at arm's length, and it is absolutely necessary to have strong input from the business community.

To be successful, an incubator must be run like a business. That means being nimble, adjusting to the market and reacting quickly to changing conditions. These are qualities most often seen in the business sector, rather than the academic or government sectors. Therefore, bringing in management from the business community is key.

Additionally, business incubation programs can set up formal means of soliciting input and direction from the business community. Boards of directors can bring valuable business acumen to the incubation program, and often are a source of professional help for incubator clients. Those incubation programs that operate under an umbrella organization's board can instead set up advisory boards that don't have fiduciary responsibilities but that still can assist incubator management and clients in strategy and projects.

In addition to issues related to management and governance, entrepreneurs need other experienced entrepreneurs, legal, accounting and financial advisors, the expertise of university research staff and faculty, and access to those familiar with structuring and financing new companies and preparing them for growth. Most of these individuals reside in the business community, and to gain their involvement it's necessary for the incubator staff to be grounded in real business culture and to have credibility with that community.

2. Incubator developers need to take a holistic view of incubators' role in entrepreneurial development – they are not, in and of themselves, magic bullets.

It takes a lot of actors and resources to develop an appropriate support network for entrepreneurs and speed their success. Yet doesn't it seem that we sometimes hear that a particular effort – an incubator, science park, academic entrepreneurship education program, microloan program, angel financing network, or cluster development effort – will provide the needed solution?

It just doesn't work that way, of course. To the extent possible, entrepreneurs need all those things. Nobody should engage in an incubator development project without at least considering whether any industry clusters are appropriate for the program. Incubator developers must also consider whether there is sufficient access to professional service providers, capital, university technologists and other key entrepreneurial resources in a community before moving forward with a program. If these resources are not present, is there potential for developing them?

It is a mistake for any community to develop an incubator without considering whether appropriate space is available for companies to graduate into, such as industrial or science parks may provide. It may not be necessary to have that space available on day one, but it's important to consider when it might need to be phased in. Otherwise, the incubator could end up graduating companies into other communities.

There's a simple rule here: It takes a lot of resources to grow a company from the concept stage to a self-sufficient entity. Consideration must be given to the larger environment and resources that are already available or that need to be put in place to ensure company success and, consequently, community wealth creation.

3. The community, academic or other sponsors of the incubator must hire management with the expertise to help companies grow and to run the incubator in a business-like fashion. This includes providing adequate compensation for experienced management.

These rules are frequently ignored by incubator developers, to their detriment. In fact, we have seen incubator sponsors hire low-paid individuals who answered the incubator's telephones but didn't have experience in growing companies. In effect, they got a "concierge" to manage the building, but were unable to breathe life into an incubation program that successfully grew companies, created jobs or contributed to community wealth creation.

In the worst such situations, the programs failed utterly

Many incubation programs offer commercial kitchens and bakeries for entrepreneurs to develop and produce specialty food products. The Fulton-Carroll Center in Chicago, for example, gives clients access to a large-scale bakery.

as they lost community and political support. And hard-strapped local governments found themselves paying much more to subsidize failing programs than they would to support successful ones. The projects became "black holes" that sucked away resources, rather than generating new ones.

Having a successful former entrepreneur or individual who worked closely with start-up companies at the helm of an incubator is important for many reasons. Incubator clients will need been-there, done-that advice, not academic theory. And, they'll need that advice from someone who is used to moving at the pace of business. Incubator clients also will need to trust that when incubator staff do not have needed expertise, they can quickly connect clients with professionals in the business community who do.

Finally, the incubator manager's salary must be sufficient to attract an experienced company-grower, in order to maximize the program's return on investment.

4. There must be a clear understanding of the existing entrepreneurial market that the incubator will focus on.

Wanting to develop a biotechnology sector isn't sufficient reason to create a biotech-focused incubator. It's necessary to have existing deal-flow that can support a tightly focused program. I once knew of a university-created biotech incubator that had only four clients in four years. Needless to say, this resulted in a lot of disappointment and waste, especially since it was highly unlikely that one or more of these clients would succeed. There simply weren't enough potential companies from which to choose candidates that had the promise of being successful.

Any community interested in incubator development must scrutinize valid market information that can support the need for an incubator and the type of clients to be served. For example, the data might show that there's need for a general purpose or mixed-use incubator that can also serve a subset of communications technologies companies. It might be necessary to work with an experienced consultant to develop the market information and a subsequent business plan for the incubator.[1]

Above all, understand the local market and tailor your incubation project accordingly.

5. The incubator's sponsors and management should agree on the program's mission and determine specific criteria for measuring its success.

It should be obvious that no business incubator can be successful if every member of its governing board, its management and the public think it should be achieving different goals. All supporters need to come together to gain consensus on the program's mission and ensure this mission is well understood by the community. These same actors then need to develop a set of criteria that can be used to evaluate the program against its mission.

These criteria will vary depending on the type of incubator. A program focused on construction-type businesses in a minority community will have different criteria than a technology incubator located on a university campus. For example, one might track the increase in contracts obtained by minority firms and jobs created for neighborhood residents, while the other might track its clients' acquisition of capital investments and university-developed technologies that have been successfully commercialized. There are many potential criteria in either case.

The Southwest Michigan Innovation Center in Kalamazoo partnered with a private company to open a specialized scientific supply room with refrigerated, frozen and room-temperature products. Having the supplies on site saves clients money by preventing rush orders.

While it's well known that evaluating any program's success is important, this simple process frequently is not undertaken, or insufficient attention is given to determining the relevant criteria and coming to agreement on which are most important.

What to expect from your incubator

There are, of course, many, many do's and don'ts of effective business incubation. The board of the National Business Incubation Association (NBIA) approved a set of best practices (and two principles) of effective business incubation in 1996. These may be found in the NBIA Web site's Resource Center.

No incubation program, though, can achieve its potential to become an effective engine of economic growth – fostering the creation of an environment that is friendly to entrepreneurs and that can promote their success – without adherence to the five minimum guidelines noted above. Investments in incubators that don't heed these musts are doomed at best lackluster performance, and at worst to failure. ★★★

For further information on NBIA membership, the organization's 21st International Conference on Business Incubation April 1-4 in Seattle, and other NBIA events and resources, visit our Web site at www.nbia.org. To subscribe to NBIA's nonmember newsletter, contact Randy Morris, NBIA Insights editor and membership director, at rmorris@nbia.org.

[1] Considerable information on how to develop incubators is available from NBIA's new publication, "Developing a Business Incubation Program – Insights and Advice for Communities" (2006). See the NBIA bookstore at www.nbia.org for this comprehensive 200-page handbook on incubator development.

Growing and Keeping Your Region's College-Educated Workers

President, Collegia
By Todd Hoffman

Back in 1982, newly minted college grads like me migrated to wherever the best jobs were. Those who scored a start at P&G, Ford or GE were envied by their less fortunate peers. How lucky they were to head off to Cincinnati, Detroit and Poughkeepsie for what was sure to be a rapid rise to personal prosperity and a country club life.

Twenty-five years later, college grads have a different agenda. This is a "work hard, play harder" generation that cares deeply about how they're going to spend their nights and weekends. And as the most brand-conscious generation to walk the earth, where they call home is as much a part of their identity as what they drive, or that newest of status symbols – which cell phone they carry.

No longer are the best and brightest willing to live just anywhere. In today's innovation-driven and knowledge-dependent economy, the most sought-after grads are calling the shots. Smart employers are the ones now doing the migrating to ensure ready access to a quality, college-educated workforce.

SEI Investments, a financial services firm, is one of the many Philadelphia companies that provides internships for area college students.

"In today's economy, talent is the natural resource most important to regions," says Steve Wray, a lead partner in Philadelphia's Knowledge Industry Partnership and executive director of the Pennsylvania Economy League. "Those regions that can increase the quantity and the quality of their workforce will ultimately prevail in the knowledge economy."

In light of a new economic reality in which a deep talent pool trumps temporary tax breaks, smart cities are literally going back to college to ensure that they are producing and retaining the college graduates necessary to start, keep and attract knowledge-based businesses.

Case in point: Philadelphia, where affinity for the city among local college students and recent grads has climbed considerably in recent years. This trend is driven at least in part by a talent-growth strategy launched four years ago under the banner of the Knowledge Industry Partnership (KIP).[1]

Philadelphia: "One Big Campus"

Led by a coalition of area leaders representing academia, government, business, tourism and the civic sector, KIP's primary mission is crystal clear: "To grow the region's college-educated workforce." Those at the helm recognize that the greatest net talent gain will come from a two-fold strategy of increasing the overall student population and improving graduate retention rates.

Regarded by many as the most comprehensive, innovative regional program built around a higher education cluster, KIP is designed to increase the pull of top talent to the city at three distinct phases of what Collegia has coined the "college student life cycle:" First, when students are applying to col-

[1] KIP has since become a stand-alone nonprofit known as Campus Philly.

lege; then when they are enrolled; and finally when they begin the job search.

With significant involvement and investment from the region's lead tourism organization, Greater Philadelphia Tourism Marketing Corporation, a student-oriented branding platform was developed to position the region as "one big campus" and Philadelphia as "a city built for students." To date, dozens of off-campus and inter-campus activities have been created to facilitate stronger personal and professional ties to the region among the quarter-million students enrolled locally.

Among the signature tactics leveraging KIP's network of 30-plus college partners are a glossy, 48-page magazine encouraging prospects to extend their campus visit into an overnight stay; an outdoor student festival which draws more than 20,000 students into downtown Philly every September; and a college-to-career program that already has generated more than 4,500 new internships.

Indicators that the KIP strategy is delivering its intended results include:

- Over a three-year period, freshmen enrollments at partner colleges have grown by 10 percent (well ahead of both the state and national averages), and Philly's overall student population has increased by more than 30,000.
- An online student poll conducted last spring found that 64 percent of students are likely to stay in the region after they graduate, a 15 percent increase over the benchmark conducted in 2002.
- Most importantly, actual retention has increased by more than 1,000 graduates since 2004, a number that should rise rapidly as more early-stage professional positions become available.

Additional research published in 2004 by KIP strongly suggests that a winning recipe for grad retention requires much more than a regional internship strategy. This survey of 2,550 recent graduates from 29 area colleges and universities reveals other key behavior influencers, namely *personal connection.*[2] Positive off-campus experiences and affinity for the region proved to be especially significant for non-native students whose eventual actions are a top priority. (Philadelphia already keeps 86 percent of its locally grown grads.)

In fact, internships alone can often backfire in less competitive regions by helping their most ambitious talent (including many native sons and daughters) become more marketable to employers from hotter markets. Ultimately, this points to the necessity for a multi-tiered approach that facilitates better professional *and* personal connections to the host region.

In Pennsylvania, three other regional retention initiatives – in Pittsburgh, Lehigh Valley and Lancaster County – have since been modeled after KIP. This opens up further opportunities for statewide retention strategies that could ultimately leverage a network of parallel activities, centrally coordinated but deployed at the local level.

[2] The report, titled "Should I stay or should I go," is available as a PDF at www.collegia.com.

KIP (now known as Campus Philly) holds an outdoor student festival each year which draws more than 20,000 students into downtown Philadelphia.

Northeast Ohio: COLLEGE 360°

Admiration for the Philadelphia model also led to the development of Northeast Ohio's ambitious COLLEGE 360° initiative. At an EDA-sponsored innovation summit held in Cleveland in November 2003, more than 220 regional stakeholders – representing a cross-section of academic, corporate and civic leaders – first learned about KIP and drew parallels to their own economic challenges.

Almost immediately, an effort led by the region's academic consortium, the Northeast Council on Higher Education, raised the necessary funds to implement a research and planning phase that eventually led to the launch of COLLEGE 360° in 2005. Northeast Ohio, as a community, would step forward and accept responsibility for "providing a complete, 360° college education; one that prepares the whole student for all aspects of life after college, not just their role in the workforce."

The initiative draws its strength from commitments by the region's top corporate, philanthropic and civic leaders. At its helm sits Hiram College President Tom Chema and Cleveland Indians President Paul Dolan, who co-direct the four-year, $5 million initiative. Backing them up is a crackerjack steering committee of 18 corporate CEOs, college presidents and partners from the region's top law firms.

While its mission is similar to Philadelphia's, the branding platform and related tactical plan developed for Northeast Ohio are custom-tailored. For starters, not one, but two city identities needed to be considered and carefully dealt with: Cleveland and Akron. The long history of sibling rivalry not withstanding, here was a chance to showcase regionalism in action, a challenge Northeast Ohio had been wrestling with for some time.

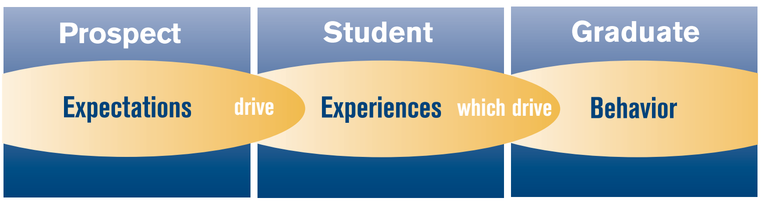
While it is still too early to gauge overall success, initial reactions from students currently enrolled at COLLEGE 360°'s 17 participating colleges indicate that this initiative is hitting home. And within less than a year of the project's debut, nearly 1,900 new internships had been created in the region, well on the way to meeting the stated goal of generating 3,600 internships in the region within 36 months.

Project co-chair Chema echoes Collegia's own research findings: "Students are looking at much more than classrooms and dorm rooms when they choose a college. They want a place that can connect them to the people and places they care about. They want a place that will open doors to new opportunities and experiences. In short, they want to go to a great place, not just a great college or university."

Under his leadership, COLLEGE 360º looks to be Northeast Ohio's best bet for growing its own college-educated workforce.

Building Blocks: The 3 Es

The underlying strategy first deployed by Philadelphia's KIP is a belief that behavior – the graduate's decision to stay or leave – is determined by a series of personal and professional experiences during college, which are highly influenced by expectations that are formed long before they arrive on campus.



"Decisions happen long before they occur," writes Harvard Business School professor Gerald Zaltman in his 2003 book, *How Customers Think.* Ninety-five percent of thinking, he argues, takes place in the unconscious mind, which "gives the orders and the conscious mind carries them out."

With this in mind, activities are devised for each phase of the college student life cycle:

- **Enroll:** Attract more and better students to the region's colleges and universities.

  Campus Visit magazines in Philadelphia, Boston and Northeast Ohio tell the compelling stories of each region, touching on everything from trip planning to internships. Corresponding Web sites ensure that the regions' images and key messaging are being pushed nationwide, year-round.

- **Engage:** Improve the quality and quantity of students' off-campus experiences.

  The Web site www.CampusPhilly.com gives students a portal for delving into all there is to see and do in the area. Cool events – and how to reach them – are catalogued on the site, while a keychain discount tag encourages students to discover the shopping and dining gems that bring the city to life.

- **Employ:** Connect students with local employers through internships and mentoring.

  Going above and beyond the traditional internship fair, Career Philly organizes fairs according to specific fields, such as business or performing arts, while also coordinating fairs geared exclusively toward minorities and international students. This personalization allows businesses and students to connect more directly, and with a greater chance of finding a perfect fit.

Top takeaways

Any region can learn from programs like these, while tailoring messaging and deliverables to best suit the particulars of a given place. The most successful regions will be those that can look at the initiatives of a city like Philadelphia as a guide towards a smarter approach to attracting and retaining talent. Here are seven conditions and tips that we believe will foster success:

1. **Engage bold, cross-sector leadership.** Harnessing the collective strengths of a region to address collective needs is a delicate balance, but essential to transition any local economy. Those around the table must also be empowered to act swiftly.
2. **Be rooted in higher education, but not driven by higher education.** It's best to house the effort in the civic realm, away from campus, where the right balance between academia's enlightened self-interest and the region's can best be managed.
3. **Ask, don't assume.** Make sure area college students have a loud and continual voice in the process. Setting up an inter-campus council that meets regularly two to three times each semester will pay tremendous dividends.
4. **Integrate, don't re-create.** Take a full inventory of local activities that already exist and which may tie in nicely with the stated mission. Then, try to morph those programs and players into future plans and fundraising before creating redundancies.
5. **Embrace uniqueness.** Every city has a persona built up over decades, if not centuries. Vigorously fend off the natural urge to reject the past and introduce a clever new identity – it won't work. Branding is about meaning, not marketing.
6. **Align with other regional branding.** Piggyback on the existing flow of messaging that other local destination marketing efforts are putting forth.
7. **Choose your public face wisely.** As the initiative circulates through the community, it's critical that the key executive shopping it around has sufficient stature to position it near the top of the local priority pile. ★★★

Collegia is a Massachusetts-based consultancy that works with regional leaders to redefine the role that higher education plays in their local economies. Collegia also publishes the College Destinations Index, an annual ranking of the nation's top locations for college. For more information, visit www.collegia.com or contact the author at thoffman@collegia.com.

Learning to Learn:

What to Do Different in the New Modern World

By John Warner

Swamp Fox, LLC

Leonardo da Vinci lived between 1455, when Johann Gutenberg printed the first Bible with movable type, and 1517, when Martin Luther's ninety-five theses were printed and broadly disseminated to newly literate communities across Europe. The printed word so thoroughly changed people's view of themselves and the world that the West defines "modern" from this time of the Renaissance and the Reformation. Tim Berners-Lee invented the World Wide Web in 1991, which is so fundamentally changing the way we perceive ourselves and relate to each other that looking back, people will define our time as the beginning of the new "modern."

We face two immense realities. To be competitive, it used to be enough to be the best locally or regionally in something customers care about. Increasingly today, you have to be the best in the world in order to be competitive.

Second, there is explosive change across many disciplines. It used to be that the best proprietary research and development could be on the leading edge of change. Today, we'll either learn to ride the global tsunami of knowledge creation, or get washed away by it.

Recently I attended a statewide meeting of the South Carolina Council on Competitiveness. The next morning I met with the president of my local economic development organization, who asked, "Did they tell you how to actually do any of the things they are suggesting?" Later that day, I met with the director of external research at a global corporation with facilities in my town, who asked, "How do we get the people that work in my company to see that buying into this will actually make their jobs easier?"

Both friends were really asking, "How do we learn to do different in the new modern world?"

The intersection of disciplines

I'm not an economic developer by profession, but a businessman seeking opportunities to make money. So where do I learn about opportunities? Frans Johansson studied the patrons of the Italian Renaissance and wrote in his book, "The Medici Effect:"

> *The intersection of disciplines or cultures is a vibrant place for creativity because bringing together very different concepts from very different fields sets off an explosion of ideas. Quantity of ideas leads to quality of ideas. Innovators don't produce because they are successful; they are successful because they produce.*

In 2001, I began calling meetings of my friends in industry and academia, which since have evolved into an annual conference called InnoVenture. I went to the major economic anchors in my community of Greenville, S.C. – Michelin, Milliken (one of the largest privately held textile and chemical manufacturers in the world), Clemson, the University of South Carolina, the Savannah River National Lab and others – and asked a few straight-forward questions. If a "Community of Innovation" were to grow up around you, what would you want it to look like? What talent do you need? What innovations are important to you? What special-

Looking for entrepreneurial opportunities? Get a diverse group of smart, talented people in the same room and let them figure out how to work together in their enlightened self-interest.

ized facilities would you like access to? What kinds of entrepreneurial companies would be strategic to you?

As you might expect, there were some objections. "This isn't for us, because we really don't see ourselves as innovative and entrepreneurial," some said. "OK," I replied, "forget that vocabulary. When you get to work in the morning, what frustrates you? What's more difficult or expensive or inconvenient that it needs to be?"

"I see," some said, "but I don't think I have anything to say that your audience will care about."

"Forget that too," I said. "What we want to know is what is important to you. We'll broadly publicize that you'll be presenting, and guess what – people who are interested in helping you solve your problems will attend the conference because they know you have a budget for your priorities." As Plato said, "all of us have many wants." True, but some of us have a lot more resources than others to meet those wants.

The power of enlightened self-interest

In March 2006, the third annual InnoVenture conference had six presentations by the region's major economic anchors, each discussing the Communities of Innovation they would like to see grow up around them. Most of these presentations focused on product-oriented research and development innovations, so we also had a series of roundtable discussions by chief information officers focused on more information technology-driven, process-oriented innovations.

In addition, we had 30 or so 10-minute presentations by entrepreneurs seeking capital and partnerships with the major anchors, as well as inventors with ideas looking for business partners to commercialize them. Plenty of venture capitalists and other investors were there who want to do business with the major anchors and the entrepreneurs. The 650 people who attended InnoVenture 2006 represented 250 organizations, including major companies, universities, research facilities, entrepreneurs, investors and service providers throughout the Southeast.

There are a lot of success stories from InnoVenture, but here's my favorite: A University of South Carolina geneticist made a presentation at InnoVenture looking for capital to grow her start-up company. Her company is based on a technology she developed that allows tobacco plants to produce beneficial pharmaceuticals, rather than nicotine. It happens that the major raw material of a global industrial corporation in our area is an organic compound that grows at the equator, in places such as central Africa and the Amazon rain forest. A representative of that corporation heard the geneticist's presentation and afterwards asked if she could grow the organic compound he needs in tobacco plants. Now his company has funded a graduate student in her lab to see if she can. Wow! If this is possible, then from the perspective of the entrepreneurial geneticist, the global corporation has infinite resources to launch her start-up company.

That's what happens when you get a diverse group of smart, talented people in the same room and let them figure out how to work together in their enlightened self-interest. At InnoVenture, this major corporation tapped directly into the flow of the global biotechnology revolution that could significantly impact the supply of a strategic raw material – and the spigot was in its backyard the whole time.

InnoVenture 2007

Gearing up for InnoVenture 2007 in March, we've developed an innovative registration system that will allow attendees to become a part of an online community before, during and after the conference. A powerful effect of this is that the online community will grow to incorporate the people that attended all of the InnoVenture events. In fact, we're even going to offer our registration system free to those holding other innovation and entrepreneurial conferences and events, so that they can become a part of the larger online community as well. We're also planning smaller InnoVenture meetings in other communities, in partnership with local economic developers or chambers, to focus on building Communities of Innovation around their major anchors.

So, how do you learn to do different in the new modern world? We learn to work together as part of a broader community – with you specializing in what you do best and us specializing in what we do best – so that we're stronger together than either of us is individually. ★★★

John Warner is president of Swamp Fox, LLC; publisher of SwampFox.ws, News of the Southeastern Innovation Community; and producer of the InnoVenture conferences (InnoVentureSE.com). He can be reached at JohnWarner@SwampFox.ws or 864-561-6609.

Competing in a Global Age:

New Skills for Our Nation's Students

By Stephanie Bell-Rose and Vishakha N. Desai

President, The Goldman Sachs Foundation, and President, Asia Society

A converging set of powerful economic, technological, demographic and national security developments requires a citizenry and workforce that is internationally savvy, entrepreneurial and expert in foreign languages and cultures. But as a nation, our business leaders, training institutions and future workforce are woefully unprepared to meet the challenges of globalization.

Last spring, the Bureau of Economic Analysis reported that U.S. companies realized $315 billion in overseas profits in 2004, a figure that is up 78 percent over the decade and that far outpaces the growth of domestic profits by U.S. companies. Already, one in five U.S. manufacturing jobs is tied to exports. Growth trajectories in Asia are particularly striking. According to the Office of Trade and Industry Information at the U.S. Department of Commerce, total U.S. exports to Asia grew by 24 percent over the last five years – from $170 billion to $210 billion.

As Tom Friedman of The New York Times argues in his book, "The World is Flat," all of the major economic trend lines are directed towards much greater interconnectivity in trade and innovation in nearly every significant business sector, especially in the knowledge and communications industries. Young people growing up today in China, India, Brazil and other developing countries have an unprecedented opportunity to learn entrepreneurial skills, produce wealth and solve business and social problems in the years ahead. However, our human development systems – in business organizations, K-12 education or universities – are not prepared to meet this enormous challenge. We must fashion a more creative and visionary educational response to globalization, starting now.

Carl Schramm, author of "The Entrepreneurial Imperative," has pointed out that the American dream is not just for Americans anymore. Entrepreneurial capitalism is an important export and "engendering economic success" by well-prepared, globally savvy American entrepreneurs – in conjunction with other countries – is "by far the most certain way to support the emergence of democracy."

A RAND Corporation survey of 16 global corporations found that compared to counterparts from other universities around the world, U.S. students are "strong technically" but shortchanged in cross-cultural experience and "linguistically deprived." According to the Committee on Economic

Students at the College of Staten Island (CSI) High School for International Studies study world history, languages and foreign affairs. The goal of the school is to provide a strong foundation for a career in an internationally oriented profession. The school is a member of Asia Society's International Studies Schools Network. Photos courtesy of Eric O'Connell.

Development, a 2002 survey of large U.S. corporations found that nearly 30 percent of the companies believed they had failed to fully exploit their business opportunities due to insufficient personnel with international skills. Eighty percent expected their overall business to increase notably if they had more internationally competent employees on staff.

Responding to the challenge

Highly adaptable, entrepreneurial global corporations have begun to respond. According to Michael Eskew, CEO of United Parcel Service (which employs over 400,000 people worldwide), a new skill set that goes well beyond "the basics" and the growing emphasis on science, math and technology skills is now required of all employees. Several key attributes are overlooked in the debate over education and workforce policies and practices, including:

- **Sensitivity to foreign cultures:** Knowledge and understanding of other regions and cultures, as well as world

Chinese is one of several languages offered at CSI High School, taught here by Yang Tian.

history, geography and economic transactions, are essential to participate in global work teams.

- **Language skills:** Foreign language skills also are critical for international business success. More than one million U.S. students study French, a language spoken by 80 million people worldwide – but fewer than 40,000 study Chinese, a language spoken by 1.3 billion people. Today, there are more people in China learning to speak English than there are English speakers in the United States. By learning a second language, students acquire academic skills and insight into another culture – as well as a distinct competitive edge.
- **Economic/entrepreneurial literacy:** Well over half of our nation's high school graduates and too many college graduates know little if anything about the role of international commerce and trade in shaping their futures. For example, Mr. Friedman's analysis focuses on both the fostering of entrepreneurial businesses in developing countries such as India and China, and the rise of supply chain professions as the kind of high-value work that comes from understanding international trade better. These are the types of jobs that young people and our national economy should value as we offset losses in other industries.

A lack of training in international skills

Despite the reality that these skills are necessary for our global economy, a CEO survey for the Malcolm Baldrige National Quality Awards competition found that much improvement is needed. Many CEOs believe they and their peers need to improve their performance on a broad range of international and entrepreneurial skills, including the ability to think globally (72 percent); flexibility in a changing world (63 percent); and the ability to develop appropriate strategies (60 percent).

The leaders of the next generation are no better off. U.S. students risk falling behind peers in other nations in their preparation for new jobs because critical skills needed to compete in the global marketplace have not yet been adopted in most U.S. schools. Asia Society and The Goldman Sachs Foundation released a report in early 2006, "Educating Leaders for a Global Society," that details how U.S. workers in virtually every sector face competition from those who live just a mouse-click away in Europe, China, India and dozens of other countries with rapidly growing economies.

While improving math and science skills among U.S. students remains critically important – and has been the subject of wide public attention – just as important, according to the report, is the need to promote international knowledge and language skills for all students, not just a select few. The report calls on business leaders, educators and policy makers to expand public and philanthropic investments in international education and language programs. Leadership from the business sector is needed both for the sake of our students and for the future health and competitiveness of American business.

Global awareness is vital to business

Major global companies based in the U.S. have long been supporters of school reforms based on standards and accountability. In today's economy, cities and municipalities, regional economic development authorities and states can no longer look only at their neighbors to judge whether they are making the grade. Our educational and training systems must be benchmarked to world-class standards.

Until recently, the need for global competencies was not part of the debate over leadership skills. In the past, complex international transactions were the domain of diplomats and international policy and business experts. But a new trend is emerging as policy and business leaders focus attention on the link between their local, state or regional economies and international trade, and the growing demand for workers who can approach problems with a broad worldview.

As the business sector recognizes its growing and necessary role in ensuring that our students have the skills they need to thrive in an international economy, they will contribute to the growth of a globally competent workforce.

What to do

Leadership from a diverse range of sectors is an essential component of an urgent national educational and workforce response to globalization:

- **Governors, economic development leaders and state legislators** must play a leading role. As states and regional trade groups seek to position themselves for success in the global economy, governors, commerce and state education officials should work together to integrate knowledge of other world cultures, entrepreneurship and global affairs into education standards, assessments, teacher preparation and lifelong training system requirements. Trade initiatives must include careful analysis of how students can meet new demands for international, entrepreneurial and inter-cultural skills.

- **Business leaders and philanthropies** should ask policymakers to emphasize the importance of international knowledge and skills and help schools to scale-up innovative programs. Corporate philanthropy is well positioned to play an essential part in encouraging giving that supports international studies, world languages and technology-enabled exchanges which link students in the U.S. to peers throughout the world.

  Model educational and skills building programs such as the National Foundation for Teaching Entrepreneurship are trying to fill this gap by preparing young people from low-income communities to work with peers from around the globe while enhancing their business, academic and life skills. The International Studies Schools Network, a group of urban secondary schools in eight U.S. cities funded by the Bill and Melinda Gates Foundation, is preparing students for college and competition in the global marketplace by integrating international learning and "project-based" performance outcomes across the curriculum. It is another example of a fresh approach to education that economic development leaders can point to as a new way to prepare for globalization.

- **The federal departments** of State, Defense, Education and Commerce should work together to create effective K-16 pipelines in the major world languages, especially in shortage areas such as Chinese and Arabic.

  Last year, President Bush proposed the American Competitiveness Initiative, an investment plan primarily focused on an R&D tax credit and on developing a new cadre of engineers and scientists to keep up with India and China. With less fanfare, the administration announced a new national language program designed to increase the numbers of Americans fluent in Arabic, Chinese, Russian and other critical languages – an important undertaking for obvious security reasons that will also sharpen the country's competitive edge. Recognizing that a new combination of skills instruction is a national priority, Congress recently enacted new SMART grants – $4,000 a year for juniors and seniors who qualify for Pell Grants and major in math, science, technology or critical foreign languages.

- **Universities** should retool preparation programs to ensure that all students know the international dimensions of their majors, and that business education is aligned with global market and entrepreneurial opportunities. Schramm's review of higher education's weaknesses in business preparation centers on a global imperative: to create wealth in every country as a means to make the world more stable, even as we encourage more competition for America. Some universities are taking note.

Students look at a world map in Jennifer Zinn's humanities class at CSI High School.

  The central question a Harvard committee sought to answer as it examined its core undergraduate curriculum recently was, "What does it mean to be an educated person in the first quarter of the 21st century?" The committee focused on critical global skills, perspectives and encouraging entrepreneurial work teams. Yale recently introduced the first business program that requires its students to study abroad, in response to criticism that MBA programs don't teach useful skills. A new Stanford University curriculum requires students to pursue "global experiences." Action must extend beyond the fledgling response of America's elite institutions. We must modernize educational systems across the board.

The stakes involved in meeting the challenges of our flattened world could not be higher. For today's students and tomorrow's business leaders, knowledge of the rest of the world is no longer a luxury, it is a necessity. ★★★

The mission of the Goldman Sachs Foundation is to promote excellence and innovation in education and to improve the academic performance and lifelong productivity of young people worldwide. The Asia Society is an international organization dedicated to strengthening relationships and deepening understanding among the peoples of Asia and the United States.

Business Retention on a Budget:

Billings' BEAR Program Leverages Volunteers

Director of Business Outreach and Recruitment, Big Sky Economic Development Corporation

By Linda Beck

Billings, Montana, population 100,000, is a small jewel of a city that has all the urban amenities – cuisine, culture, recreation and character – flavored with a Western welcome. As the regional hub for a 500-mile radius, it is geographically the largest trade area in the United States. To the south is Yellowstone National Park, and north is Glacier National Park. But as you venture out further on the eastern plains, lights in windows are few and very far between.

Until the oil bust of the 1980s, extractive industries and agriculture drove the region's economy. Rebuilding demanded diversification, but devising a concerted strategy required leadership that was not in evidence. Hence, The Big Sky Economic Development Authority was launched in 1989 to fill that role.

In 2001, Joe McClure, then the new executive director of Big Sky EDA, created a new position charged with developing a business retention program. As in other small cities – and predominantly rural states – resources were limited. For one employee to run such a major initiative successfully, resources would have to come through partnerships.

Big Sky EDA in Billings has developed a business retention program that uses volunteers effectively and now is being replicated across Montana.

Starting from scratch

The first step in developing the business retention program was to meet with the business development task force of the Billings Chamber of Commerce, which became the main resource for business and community information. Next, a steering group was recruited comprising organizations directly involved in employment, business development, training and education. Montana State University-Bozeman Extension Center staff with business retention experience provided ideas and advice, as well as a survey form as a possible tool for the program.

After conducting a pilot project that used the survey to interview 16 companies about their needs, it became clear that the survey results needed to be available electronically. This was both for the sake of efficiency and due to the realization that a major part of the process was to gather aggregate data – not only to demonstrate the value of the program, but to aid in shaping legislative policy and expanding business services.

Big Sky EDA staff later attended a training course presented by ExecutivePulse, a provider of business retention software. Of the many course participants from cities, counties and states already using ExecutivePulse, our group was dismayed to learn that most of the groups retained paid employees to do the retention and expansion work. That was not going to be possible in our program.

But one of the conference presenters spoke of his experiences using volunteers, and therein we found a ray of hope that we too could use volunteers and be successful. The Celebrate Billings Education Task Force, a business group organized by our local newspaper, agreed to purchase access to the software and the training began.

Organizing a program around volunteers

The program – now known as BEAR, for Business Expansion And Retention – evolved into a three-tier structure of volunteers: the Assessment Team, the Resource Team and the BEAR Interviewers.

1. **The original steering group evolved to become the Assessment Team.** This group of nearly 20 volunteers meets every Friday morning to review and assess the business interview information provided by BEAR clients and to discuss administrative issues. These committed stakeholders – each of whom has professional reasons for wanting to see the program succeed – have been key to the program's success. The team includes the following individuals or organizational representatives:
   - Billings Chamber of Commerce, Legislative Affairs
   - Montana Department of Commerce Regional Development Officer
   - Montana Job Service
   - Billings Public Schools
   - An organization development consultant
   - Northwestern Energy
   - Montana Manufacturing Extension Center
   - The Montana State University-Billings College of Technology
   - A state senator and consultant for the College of Professional Studies, MSU-Billings
   - Eide Bailly (a technology and business consulting firm)
   - Beartooth Resource Conservation and Development Area (an economic development district covering five counties, including, Yellowstone County, where Billings is located)
2. **The BEAR Resource Team is a group of business professionals who volunteer their time and expertise as resources to assist BEAR clients with issues identified by the Assessment Team.** They agree to provide one initial and one follow-up visit free of charge. In addition to colleagues from the local Small Business Development Center, the Procurement Technical Assistance Center and the Community Development Center, this group includes:
   - Commercial bankers
   - Marketing specialists
   - Accountants
   - Technology advisors
   - Organizational development consultants
   - Succession planners
   - Web site development experts
   - City/county employees
   - College of Business students
3. **BEAR Interviewers are the volunteers who interact directly with the businesses to learn about their concerns and issues.** Interviewers attend a training seminar that introduces them to BEAR and program-specific interview techniques, then agree to complete a specific number of interviews per year.

   Interviewers are paired into two-person teams to share the duties of interviewer and recorder, with responsibility for entering the information gathered into the software. One member of the pair agrees to be the company's representative, following up with recommended resources. Interviewers are encouraged to attend Assessment Team meetings to discuss key issues from their meetings.

Despite having just one paid employee, building an assessment team, recruiting qualified interviewers and identifying resources became a reality because of the original steering group's commitment. Four years later, virtually the same core committee continues the work, with the addition of several new members who perceive the group's value. (In 2006, a half-time employee was added at Big Sky EDA to schedule appointments, keep meeting minutes, conduct interviews and assist clients in identifying resources.)

One of the key issues of having a volunteer base is that despite system reminders, resource providers don't always report back into the ExecutivePulse database. These are professionals with full-time careers, in addition to their contribution to BEAR. Our solution was to have our staff interview the resource providers and enter the information into the system.

Expanding BEAR statewide

As a result of the success of the BEAR program, other communities in Montana – including Kalispell, Butte and Great Falls – requested our assistance in establishing their own systematic business retention programs. This enthusiasm reached representatives in the Governor's Office of Economic Development (GOED). With financial assistance from the GOED and other sponsors, ExecutivePulse presented several statewide trainings to bolster the work already begun and spread the enthusiasm for the BEAR concept.

Nearly 200 people were trained in the BEAR philosophy and were eager to initiate the program in their communities. Naturally, the newly trained participants wanted access to the software that has been critical to the BEAR program. So when the cost proved prohibitive for many of their communities, GOED contracted with ExecutivePulse to purchase the program for the entire state.

The Montana Economic Developers Association was appointed to coordinate the statewide program, forming a working group to guide its implementation. Although the statewide coordination efforts were just started in October 2006, two communities have initiated programs, with several more at the ready. "Country BEAR," under the guidance of Beartooth RC&D, is reaching out to small towns across eastern Montana.

Retention in a sparsely populated state like Montana can mean the survival of a community. Eighty percent of the businesses in Montana have 20 employees or fewer, and a number of our most productive employers started with one or two employees. The return on investment for an effective business retention program is enormous, and thanks to dedicated BEAR volunteers, that investment is paying off. ★★★

For more information, visit www.bigskyedc.org.

About EDA Information Clearinghouse Partners

Part of the United States Department of Commerce, the mission of the **Economic Development Administration (EDA)** is to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.

EDA was established to generate jobs, help retain existing jobs, and stimulate industrial and commercial growth in economically distressed areas of the United States. EDA assistance is available to rural and urban areas of the nation experiencing high unemployment, low income, or other severe economic distress.

The **International Economic Development Council (IEDC)** is the premiere organization for the economic development profession. Serving close to 4,000 members, IEDC is the world's largest professional membership organization providing a diversity of economic development services, including research and advisory services, conferences, professional development and legislative tracking. Visit IEDC's website at www.iedconline.org to learn more about membership, upcoming events and IEDC services.

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

The **National Association of Regional Councils (NARC)** is the preeminent alliance for fostering regional cooperation and building regional communities. For more than three decades, NARC has represented multi-purpose regional councils of government that assist community leaders and citizens in developing common strategies for addressing cross-cutting transportation, economic development, air and water quality, social equity, growth, and other challenges, through advocacy, training, technical assistance and research. For more information, visit www.narc.org.

NARC
Building Regional Communities

International Economic Development Council
734 15th Street, NW, Suite 900
Washington, DC 20005

Sandy Baruah to Speak at IEDC's Federal Economic Development Forum

Hyatt Regency Hotel, Arlington, Virginia • March 18-20, 2007

U.S. Assistant Secretary of Commerce for Economic Development Sandy K. Baruah will be a featured speaker at IEDC's upcoming Federal Economic Development Forum, "The Future of the Innovation Economy: How Does America Remain Competitive?"

The event takes place March 18-20 and is expected to draw over 150 economic developers from around the country. The program will explore what the federal government is doing to support innovation and how policies will evolve to retain American leadership in the ever-changing global marketplace. Assistance Secretary Baruah will kick off a plenary session titled "Washington Briefing and the Economic Development Agenda" with a presentation about the Economic Development Administration's current and future efforts to support increased innovation and competitiveness among American businesses.

For more information, visit www.iedconline.org/federalforum.

"Rural Clusters of Innovation" Report Released

A new EDA-sponsored research report has just been released, entitled "Rural Clusters of Innovation: Berkshires Strategy Project – Driving a Long-Term Economic Strategy." This report provides an overview of a collaborative effort between Monitor Group and the Berkshires Region of Massachusetts to assess the Berkshire regional economy and formulate a strategic plan for economic growth. This report is available as a PDF online at www.eda.gov.

EDA Excellence in Economic Development Awards 2007 • SUBMIT YOUR NOMINATIONS TODAY!

EDA is pleased to announce the availability of its **Excellence in Economic Development Awards 2007 Brochure**. The brochure provides the rules and procedures governing the competition for Awards 2007, including eligibility, selection criteria, nomination and selection processes, selection panel members and other information needed to submit a nomination.

The brochure is available online on EDA's website at **www.eda.gov**. On page seven of the brochure, a nomination form is provided and must be completed and included in your nomination package.

April 12, 2007 is the deadline for submitting nominations for Awards 2007. EDA will announce finalists on May 15, 2007 and winners on May 30, 2007.

If you have questions, please contact Barbara Earman in EDA's Legislative and Intergovernmental Affairs Division at (202) 482-4521.