



A REPORT ON A SYMPOSIUM FOR 21ST CENTURY ECONOMIC DEVELOPMENT

September 22, 2005 • Arlington, Virginia

*By Penn State University in Partnership with the United States
Department of Commerce's Economic Development Administration*

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UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Economic Development
Washington, D.C. 20230

Dear Friends of EDA:

On behalf of the U.S. Department of Commerce's Economic Development Administration (EDA), I am pleased to present this report on a "Symposium for 21st Century Economic Development" that was co-sponsored by EDA and Penn State University in Arlington, Virginia on September 22, 2005.

The 21st century presents a new competitive landscape in which American institutions – both public and private – must continually think anew and adapt to changing market conditions. This includes the Federal government, which must update its policies and programs to support regional innovation – the only competitive advantage left for America's communities to succeed in a worldwide economy.

An important part of the Federal government's role is to help build private-public partnerships by facilitating the sharing of innovative ideas and best practices. The "Symposium for 21st Century Economic Development" featured nationally renowned business, economic development and government leaders. These individuals shared their expertise on critical issues impacting America's innovation, entrepreneurship, regional collaboration, and workforce.

While the hard work of many people went into the development of the Symposium and the following report, I would like to give special thanks to: Mississippi Governor Haley Barbour for his participation in the Symposium during a period of exceptional strain on his schedule following Mississippi's devastation from Hurricane Katrina; Toyota Motor Manufacturing for its sponsorship of the Symposium Reception and the 2005 EDA Excellence in Economic Development Awards; and Penn State University for its lead in planning the Symposium and drafting this report.

The following report on the Symposium, along with its supplemental materials available online at www.eda.gov, highlight the ideas that were featured at the Symposium, and can serve as valuable resources to private and public sector economic development professionals in their efforts to build strategies for creating jobs and economic opportunity in the 21st century.

It is my pleasure to present *A Report on a Symposium for 21st Century Economic Development*.

Sincerely,

Sandy K. Baruah
Assistant Secretary of Commerce
for Economic Development

FEATURED SPEAKERS AT THE SYMPOSIUM INCLUDED:

Haley Barbour, *Governor, State of Mississippi*

Sandy Baruah, *Acting Assistant Secretary of Commerce for Economic Development*

Burt Chojnowski, *President, Fairfield Entrepreneurs Association*

Dennis Cuneo, *Senior Vice President, Toyota Motor North America*

Emily DeRocco, *Assistant Secretary for Employment and Training, Employment and Training Administration, U.S. Department of Labor*

Mark Drabenstott, *Vice President, Federal Reserve Bank of Kansas City and Director, Center for the Study of Rural America*

John Engler, *President, National Association of Manufacturers and former Governor, State of Michigan*

Eelson Floyd, *President, University of Missouri*

Randall Kempner, *Vice President, Regional Innovation, Council on Competitiveness*

Greg Main, *CEO and President, i2E*

Erik Pages, *Founder and President, EntreWorks Consulting*

David Sampson, *Deputy Secretary of Commerce, U.S. Department of Commerce*

Phillip Singerman, *Executive Director, Maryland Technology Development Corporation and Former Assistant Secretary of Commerce for Economic Development*

Lee Todd, Jr., *President, University of Kentucky*

Kathy Brittain White, *Founder and President, Rural Sourcing, Inc.*

This report highlights the insights presented by these national leaders at the symposium. As will be apparent, focusing on entrepreneurship, innovation, the importance of human capital, and regional approaches to economic development, are critical elements in insuring a vital and strong U.S. economy in the 21st century.

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CHANGING ECONOMY

“Workforce development will be essential in the 21st century. There’s almost nothing that matters more than the worker. In America, we have jobs today that are unfilled because we cannot find people with the right skills, the “we” being manufacturers who are in highly specialized or technical areas... An opportunity exists for communities and states all over America to really sharpen up the kind of training and skills development, the career education that’s available for young people. And by “young people,” I mean kids in high school, kids that may be, instead of choosing to go off and muddle through a four-year university degree, will get started earlier and be very focused on learning a skill, a trade, which is going to lead to a high-paying job and then doesn’t close all the doors to going on and getting a four-year baccalaureate degree.”

— John Engler, President,
National Association of
Manufacturers and former
Governor of Michigan



Jack Gido, director of the Penn State Office of Economic and Workforce Development, and moderator for the symposium, set the stage for the event. Two hundred years ago, the economy in the United States was based in agriculture with 85 percent of the workforce working on farms or ranches. Industrial growth based on the extraction of natural resources – timber, oil, and coal – soon followed. The advent of the Industrial Revolution and the development of mass production industries in the early part of the 20th Century saw workers leaving the farms and moving to urban areas to seek work in factories making automobiles, steel and textiles.

As mechanization developed, production boomed and by the mid-1940s manufacturing employment in the United States peaked at 43 percent of the workforce. The 1960s saw the development of the space program and the resulting development and transfer of technologies, most notably the miniaturization of electronics, that led to a wide array of new and improved products from toys to medical devices.

In the last quarter of the 20th Century, globalization took hold and companies sought new international ventures taking advantage of overseas production facilities and labor. The information age flourished, the Internet accelerated globalization through e-business and every state began to look to nanotechnology or biotechnology as economy-saving

initiatives for the future. Change and speed are not only needed, but expected, to compete in the global economy.

David Sampson, Deputy Secretary of Commerce, opened the Symposium by emphasizing the importance of creating collaborative, market-based, action-oriented strategies and relationships at all levels of government. Without collaboration and the development of a long-term competitive advantage, the risks of falling behind in the economic development race are great. Sampson stated:

“During your meetings today, you’ll be hearing from what I believe to be some of the leading thinkers and practitioners in the area of economic development – economists and real-life business people... You’ll hear the latest on how to build a strong and competitive workforce, how to build a culture of entrepreneurship, which is vital to compete, how to use local universities to drive economic growth and innovation...The key to building prosperity is involving all of the stakeholders and fostering innovation.”

Sampson continued by stressing the importance of cultivating a highly skilled work force. “In the 1990’s, two-thirds of American economic growth resulted from new technologies. And in the 21st Century, 60 percent of the new jobs will require some form of postsecondary education that is currently held by only one-third of the U.S. workforce. Clearly there is a gap there that needs to be closed. The states and communities that are most successful in closing that gap will be the ones who are really successful in attracting new capital investment, promoting entrepreneurship, and really creating prosperity in their regions.” He also urged participants to “Think big today. Keep the big picture in mind. Think collaboration; think regionalism; think innovation...and share your ideas and thoughts.” ■

STRENGTHENING AMERICA'S COMMUNITIES ADVISORY COMMITTEE REPORT

“In the neediest of our regions, education has to be a crucial starting point, and how we lift the skill sets of the workforce, of private leaders, of public leaders, all of that is a critical cornerstone. And within that, we have to think seriously about how we create the seeds to plant in students’ minds early in their development that entrepreneurship is a viable career choice.”

— Mark Drabenstott, Vice President, Federal Reserve Bank of Kansas City and Director, Center for the Study of Rural America



Mark Drabenstott, Vice President, Federal Reserve Bank of Kansas City and Director, Center for the Study of Rural America, and Phillip Singerman, Executive Director of the Maryland Technology Development Corporation, both served on the Strengthening America’s Communities Advisory Committee. They each highlighted recommendations of the report.

Drabenstott compared Economic Development to an Olympic Event. The difference is that “economic development has essentially become an Olympic event that doesn’t happen every four years; it happens every hour of every day. And whether we like it or not, we are competing in that arena every day.”

As a preface to discussing recommendations of the report, Drabenstott focused much of his remarks on the impact of globalization and the importance of innovation, entrepreneurship, and regional-based approaches to economic development. Drabenstott indicated that globalization has had a profound effect on the economic



SANDY BARUAH, ACTING ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT, PRESENTS REMARKS AT A SYMPOSIUM FOR 21ST CENTURY ECONOMIC DEVELOPMENT.

landscape and that it has created a very uneven landscape. Over the past decade, the top 10% of the approximately 3,100 counties in the United States controlled 74% of the income growth, 74% of the employment growth, and 76% of the population growth in this country. Drabenstott thus stressed that there is a lot of economic development work to be done in this country.

Drabenstott emphasized that globalization, in his opinion, has made regions the critical unit of economic development. The challenge is that traditionally economic development in this country has been focused on single firms, single places, and single industries. Instead, at this time in our history, “a region has to muster some resources in order to compete in this global economic Olympics. And those resources command the partnering and the cooperation of several single places in order to put that team together.”

Globalization, according to Drabenstott, has also changed the drivers of success. It is no longer acceptable to be the low-cost producer to compete in the economic development arena. Cheaper land, cheaper labor, and cheaper taxes are prevalent now so that no longer is necessarily a competitive advantage. Innovation and entrepreneurship are now the key drivers in pushing regional economic growth forward.

Drabenstott stated, “This is how I would style today’s economic development challenge in a very concise way: the vigorous pursuit of a region’s competitive edge in rapidly changing global markets.” In order to compete in the new global economic Olympics, every region has to create a regional competitiveness strategy. Aspects that a region needs to focus on in building this strategy include:

- Understanding its assets – What does your region have that is unique? What is its deepest strength?
- Understanding the markets it can tap
- Combining its sense of the assets it can exploit and the markets it can tap through the drivers of innovation and entrepreneurs

This emphasis on regional competitiveness is, according to Drabenstott, the essential starting point in bringing federal

policy into the 21st Century. The notion of making regional competitiveness the overriding goal for community and economic development lay at the heart of the SAC Advisory Committee report. According to Drabenstott, "...there are more than 180 programs in Washington that affect economic development. And those are scattered far and wide...There is no overriding goal that unifies that current economic development policy apparatus...Regional competitiveness needs to be that unifying goal."

The committee concluded that community development is essentially the forerunner of economic development, and that the priority of community development must be to assist regions in developing very clear, strong and robust regional competitiveness strategies. For those regions having difficulty developing their strategies, the committee felt it may make sense to use federal funds to invest in the leadership capacity of that region to develop that strategy. The notion of governance then, according to Drabensott, was very important to the committee. Governance is about how a region thinks and acts as a region. It was the committee's view that diversity and inclusion, engaging all of the leadership of a region, are critical aspects of governance. How these regional conversations were going to take place and whether public funds would be used as incentives to form regional partnerships were discussed but not resolved.

There was also a strong consensus among the committee that federal funds need to be targeted to regions with the greatest need, but that much better metrics and a broader set of indicators are required to gauge the need. These measures might include capital investment, entrepreneurial activity, home ownership and underemployment, among others. The committee also felt that the government should move away from formula funding toward more competitive challenge grants in which regions need to begin the process of saying "We're going to put up the resources it takes to compete for these funds." At the same time, those areas that do not have the capacity to initially compete should be supported by federal funds.

The committee sought to assure flexibility, accountability and results. With 180 economic development programs

"Globalization...has made regions the critical unit of economic development."

— Mark Drabenstott, Vice President, Federal Reserve Bank of Kansas City and Director, Center for the Study of Rural America



DAVID SAMPSON, DEPUTY SECRETARY OF COMMERCE, ADDRESSES SYMPOSIUM PARTICIPANTS AS SANDY BARUAH, ACTING ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, LOOKS ON.

spread across nine federal departments and five independent agencies, it is incumbent to figure out a better way to achieve adherence to the goals of regional competitiveness and to eliminate unnecessary duplication and efficiencies.

Drabenstott stated that experts increasingly suggest that the best regions are self-defined and arise from the bottom up, not top down. This poses a special challenge for federal policy because it requires federal policy to be flexible and it “has to facilitate the emergence of these self-defined regions and then make some response to that in how federal regions are defined. We agreed that we need to have better tools to help regions form and to help them measure their progress.”

The committee also felt it was important for regions to invest in themselves first. While this might be difficult to impossible for the poorest regions, in general, co-investment, in which there is a sharing of risk by both the private sector, state and local government, and the federal government, was widely supported by the committee.

Drabenstott also emphasized that economic regions are more important than political boundaries. He stated, “...it is amazing how often those political boundaries are hurdles in our new global economic race. We’re going to have to get beyond this. We’re going to have to recognize that economic regions command business alliances in order to put together the capital necessary to compete. They’re going to command community collaborations in order to develop tax and regulatory and workforce strategy that will help the region compete. And we’re going to have to have public-private partnerships that often span many of the political boundaries in which we live.”

Phillip Singerman also focused some of his comments on the SAC Advisory Committee’s recommendations, including providing significant funding of technical assistance, providing significant capacity-building assistance, developing robust analytical tools and metrics, and creating effective forms for propagation and sharing of best practices. According to Singerman, we need to expand and strengthen the local economic development network and hold it accountable. He stated, “We need to allow every rural and urban region in the

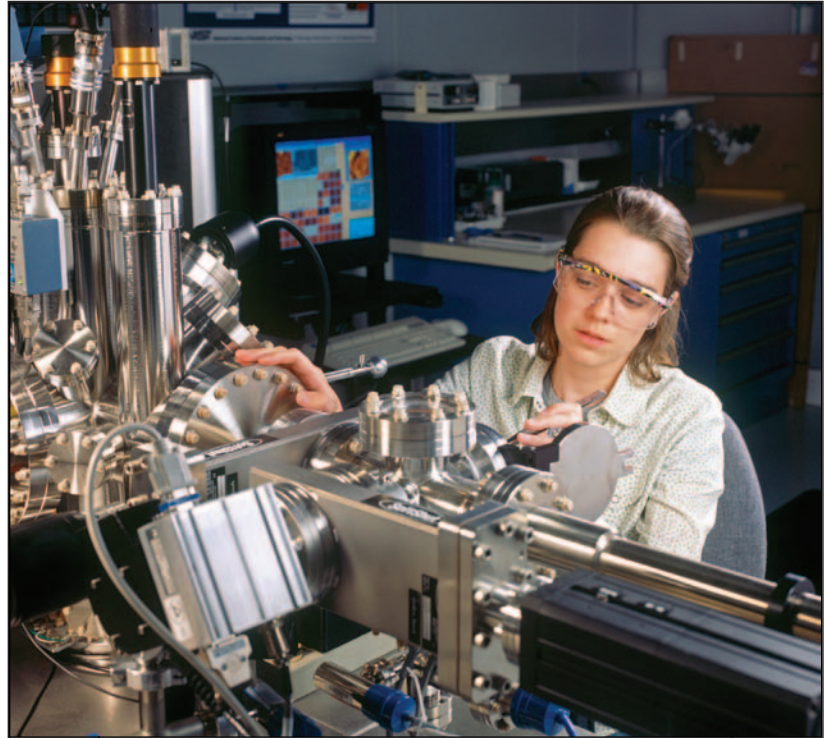
country to become eligible for EDA planning funds, not just the most distressed ones, although wealthier communities would have to provide a higher level of match. And we should at least double the amount of funding available. If this were in place, for example in those communities that will soon be affected by base closures, they would have a head start on diversification.”

Singerman felt that a new system of regular systematic funding of state and multistate economic development planning organizations needs to be created and integrated with local planning. In addition, he stated, the budget for research and national technical assistance needs to be dramatically increased. He also emphasized that the federal government needs to enhance the Economic Development Administration’s dissemination of best practices to the community and provide funding for innovative demonstration projects. Finally, he stated that the SAC Advisory Committee report recommended the establishment of a cabinet-level interagency council to coordinate federal, community and economic development activities. This council should identify best practices and report annually on federal goals, investments, and results. ■

INNOVATION: A NEW WAVE OF OPPORTUNITY FOR INNOVATION-LED ECONOMIC DEVELOPMENT

“Innovation is the fundamental key to economic growth in the United States. It used to be that we could rely on our natural resources or our ability to create commodity products, be they manufactured or not, to drive economic growth. Today we don’t have a choice. We’re in a global economy, which demands constant innovation by all our industries in order to succeed in this global environment. So, and fundamentally, if a firm is not innovating today, they have very little time to live in our global economy.”

— Randall Kempner, vice president of regional innovation for the Council on Competitiveness



Randall Kempner, vice president of regional innovation for the Council on Competitiveness, stated that “21st century economic development is all about one word. And that one word is... innovation.” According to Kempner, the Council views innovation as a process in which new ideas are applied to create value for society. Innovation is not just about idea generation; it is also about idea commercialization and application.

Kempner described the major cross-cutting issues identified in the Regional Innovation Initiative conducted by the Council on Competitiveness and funded by the Economic Development Administration. The major objective of this report was what were the things in each of the seven regions studied that if addressed, could actually improve their ability to support innovative firms and institutions within the region?



DENNIS CUNEO, SENIOR VICE PRESIDENT FOR TOYOTA MOTOR NORTH AMERICA, ENGAGES IN CONVERSATION WITH JACK GIDO, DIRECTOR OF ECONOMIC AND WORKFORCE DEVELOPMENT AT PENN STATE, AND JOHN ENGLER, PRESIDENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS.

- Regionalism – Local jurisdictions, workforce development boards, and economic districts are often totally disconnected from each other. As Kempner states, “it is very difficult to create consistent regional solutions when regions don’t act like regions....if we can’t start acting and participating as regional entities, many of the policies and the activities that we would attempt to successfully implement will just not have the same impact that we would want them to.” Kempner suggested there are best practice examples of regionalism, including Team Northeast Ohio, a thirteen-county development entity and Fund For Our Economic Future, where seventy different foundations collaborated to contribute to an economic development-focused fund that is focused on innovation-based economic development and is only helping projects that help the region as a whole.
- Building and retaining talent – In many cases, the educational system is failing to create people who are able to participate in the innovation economy. In addition, many regions of this country are afflicted by a massive brain drain. In a Census Bureau study that looked at the migration of young, educated people from 1995 to 2000, of the 318 metropolitan areas, only 75 showed a net gain in these young educated people. And of those, much of the growth was in five or six major metropolitan areas. In response to this trend, a number of cities such as Cleveland, Philadelphia, Pittsburgh and Oklahoma City, have created initiatives to try to link the young, talented people who migrate to their area for college with the companies that exist there, through internship and mentorship programs. The hope that these young people will subsequently stay in that community and become the fuel for the next year’s or the next generation’s economic growth. As Kempner states, “I think you’re going to see a lot of different brain gain initiatives at a state, and particularly a regional level, over the next few years. And it’s certainly something that I would encourage each region to think about and to track as they think about what their key assets are for the new economy.”

- **Transition to Advanced Manufacturing –** Manufacturing is still critical to the success of the United States, but it is not enough to just have basic manufacturing. The country’s manufacturers need to be able to transition to an advanced manufacturing model where the manufacturing firms understand that their product is not just what they produce but the whole sweep of services and the way that that product is used and where they recognize that if they are going to succeed based in the United States, they have to differentiate in some way that is not cost-based. It can be the way they market their product, the way they design their product, the way their product interacts with other products and services.
- **Leveraging knowledge assets or business-university lab linkages –** A disconnect between academe and business still exists in many areas across the U.S. Communities need to think about creating linkages and creating the environment in which idea generators can link with the people who will be the idea appliers or the idea commercializers.
- **Energizing the Entrepreneurial Economy –** The Council found from the Regional Innovation Initiative that most people in the seven regions did not think that the entrepreneurial programs that existed were that effective. Interactions with universities, tech transfer offices and creating an entrepreneurial culture all present challenges.

According to Erik Pages, Founder and President of EntreWorks Consulting, two-thirds of net new jobs are created by entrepreneurial companies, and three-quarters of all innovation comes from this subset of companies. It is important to realize that while technology accounts for the majority of innovation, it does not account for all of it. For example, Starbucks did not invent coffee. They invented a new way to market and sell coffee. That too is innovation. ■

“Innovation is not just about idea generation; it is also about idea commercialization and application.”

— Randall Kempner, vice president of regional innovation for the Council on Competitiveness

ENTREPRENEURSHIP: THE KEY TO HIGH-WAGE JOB CREATION

The growth-oriented entrepreneurs' motto ...
"Just in time, just for me".

— Erik Pages, Founder
and President, EntreWorks
Consulting



How do economic developers promote entrepreneurship? According to Erik Pages, our country needs to 1) Create more entrepreneurs, 2) Grow more entrepreneurs, and 3) Create a more friendly entrepreneurial climate.

Create More Entrepreneurs

Entrepreneurship education is of critical importance. It is important to realize that entrepreneurship education is not a class on "how you run a business". That is small business management. Entrepreneurship is a way of thinking, tied to creativity, idea generation, and opportunity recognition. Community colleges, according to Pages, are perfectly situated to be a leader in the provision of entrepreneurship education. Yet of the 2,000 community colleges that exist in the United States, only 10 percent provide entrepreneurship education. And of that group, 60 percent of them teach a traditional small business management class. So there is a huge underserved market in the community college space.

Burt Chojnowski, President of the Fairfield (Iowa) Entrepreneurs Association, added that entrepreneurship education really should start at about age ten or eleven. "And you don't teach kids necessarily about business. But you



JOHN ENGLER, PRESIDENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS, RESPONDS TO A QUESTION BY A SYMPOSIUM PARTICIPANT.

create environments for them to learn creativity and problem solving”, stated Chojnowski.

Phillip Singerman indicated that even in Maryland, which is a very high-tech state and very sophisticated in many ways, there is a lack of entrepreneurial talent and serial entrepreneurs. This poses a challenge because there is much more technology than can possibly be commercialized because there are not enough entrepreneurs to bring the products to the marketplace.

Singerman stated that he has been trying for several years, but has not figured out how, on a volume basis, to bring a large number of entrepreneurs together with investment opportunities. He did describe one program in Maryland that is trying to do that. According to him, “It’s a program that the University of Maryland in Baltimore County has developed to connect women entrepreneurs with technology opportunities at our universities. And this was such a good idea that the National Science Foundation provided funding to them to do this. And TEDCO is their partner. We’re their technology transfer agent. We identify and validate the technologies. But they’ve put together a very systematic program to train women who wish to enter into the entrepreneurial network. And there are at least three or four teams that are seriously looking at technologies to develop. So it’s doable. It takes a lot of work. You have to be very focused. But I think if we put our minds to it, we’ll be able to figure out other ways of doing it.”

Lee Todd, President of the University of Kentucky, stated “You know, you used to ‘Go to college and get a job.’ What I say now to students is, ‘Go to college and create a job, because you’ve got to get out there and think differently, because once you take that concept of that new product or service and reduce it to a manufacturable good – unless it’s a heavy, durable good that needs to be close to the marketplace – that thing is going to be made somewhere else. We’ll never beat the cheap labor that they can find elsewhere.”

Grow more Growth-Oriented Entrepreneurs

There is a difference between a lifestyle business and a

growth-oriented business, according to Pages. A lifestyle business is a person who is running the business because they want to work for themselves and want to provide for their family. These business owners do not necessarily want to grow fast. A growth-oriented business is committed to growing fast. Currently, economic developers do a sufficient job of servicing the lifestyle entrepreneur. However, we do a lousy job of servicing the high-growth entrepreneur. The high-growth entrepreneur does not need business planning assistance, does not need debt capital. What he or she needs is the ability to get new products, the ability to enter global markets, the ability to access peers and access mentors.

Fairfield, Iowa has mastered, according to Chojnowski, open-source entrepreneurial development, which is a term he uses to describe the grassroots networking in entrepreneurship that takes place outside of an agency. Fairfield is a small town but has mastered peer-to-peer marketing which is all about open-source, sharing the information on what your business is, how it is financed, how it is marketed. Fairfield has put on programs, seminars and boot camps where people can learn from the experts about entrepreneurship, and has created awards for entrepreneurs. As Chojnowski stated, "We've created an environment for entrepreneurs to learn from each other and to mentor each other, and to derive experience from a number of different businesses that they need in order for their businesses to be successful."

Build an Entrepreneur-friendly climate

The growth-oriented entrepreneurs' motto could be, according to Erik Pages, "Just in time, just for me". They want a customized ready solution that's going to give them what they need, when they want it, and it is customized and designed for them.

Greg Main, CEO and President of i2E in Oklahoma believes universities need to teach faculty to think differently and act entrepreneurially. He stated, "You know, it's the idea that publish or perish is the track to tenure. Increasingly our universities are changing that and beginning to suggest to the faculty that there's another track they can take, and that's a startup company or support the starting of a company to commercialize technology, the really cool

“...one of the most valuable lessons is the importance of creating truly collaborative, market-based, action-oriented strategies and relationships at all levels, local, state, and federal. It’s the best, if not the only way to build a thriving 21st century economy.”

— David Sampson, Deputy Secretary of Commerce

ideas that they’ve come up with. And you know, it’s replete – just one quick story from the vice president of research at Oklahoma State University, who is a very capable physicist who has actually done this. But he tells his faculty members that if they want something to happen with their really cool ideas, it’s not putting it in a journal which won’t be read by anybody; it’s starting a company, or it’s licensing it off to somebody else to actually move that cool idea into the marketplace because that’s how things really happen. It’s not because they got published in a journal somewhere.”

Main stated that one of the challenges for regions to increase entrepreneurship is a lack of seed capital. “If there is any one thing that holds us back from growing at an even faster pace than we have in the last few years, it’s that. And, so, we’re working hard to try to find ways in which we can encourage the creation of more seed capital funds.”

Phillip Singerman echoed Main’s sentiments about the importance of seed funding. Singerman heads up the Maryland Technology Development Corporation, a semi-independent entity of the state of Maryland, which invests in 40 to 50 companies per year and provides small amounts of seed funding (\$50,000 to \$75,000) to each company. Singerman stated that this is a model any state or state entity could emulate because every state has research universities with inventions that have commercial potential. What is typically lacking is the seed funding designed to move a product or a concept from the laboratory into the marketplace.

In addition to seed funding, Singerman emphasized the importance of incubation facilities to entrepreneurs. Incubation facilities, usually affiliated with university research parks, are a very valuable tool in that they complement seed funding and provide not so much low-cost space, but flexible space. As Singerman stated, “A small company cannot afford to put down a deposit for a year. They can’t be locked into the space they start with because if they’re successful, they’re going to have to grow, and they’re going to need the flexibility to expand into a larger space. So having flexible rental terms, having shared and

easily accessible administrative services so a company doesn't have to reinvent the wheel – this is important so that they can then focus on building their company and commercializing their technology.” ■

UNIVERSITY-LED ECONOMIC DEVELOPMENT

“One of the things that I think is really important today is for the universities to lower their ivy-covered walls and to get out with the people and to make their research real to the state and to the people.”

— Lee Todd, President of the University of Kentucky



Throughout the symposium, universities were referred to as engines of economic growth, focal points for creating vibrant economies around their universities or in their regions. Elson Floyd, president of the University of Missouri, argued that economic development “will, for the foreseeable future, serve as the lifeblood of the research university in the sustainability of the communities and cities and states in which we reside. There is no more compelling issue confronting our institutions than to focus in a keen way on economic development. The mandate for this engagement will be as clear as the historic mission of teaching, research and service.”

Floyd went on to say, “The traditional role of the university is about knowledge and the transfer of this knowledge to create an educated workforce. In the world of economic development, that role changes somewhat. We create knowledge. We then determine its commercial value and transform this knowledge into a new product or a new service. We then, in some instances, market the product or service and cultivate and/or identify a customer base. If there are enough customers, a positive return is realized. When this happens, some of the returns are reinvested and additional new knowledge is created...this new knowledge is called intellectual property and this return is called profit.”

Floyd illustrated that areas like Silicon Valley, Route 128 or the Research Triangle Park have great research universities that not only understand they are the source of new ideas and



PARTICIPANTS LISTEN TO A SESSION DURING A SYMPOSIUM FOR 21ST CENTURY ECONOMIC DEVELOPMENT.

new technologies, but also comprehend that they must be the suppliers of creativity, the producers of the entrepreneurial drive, and most importantly, that they must be partners in the economic growth, vitality and social development in the region within which they reside. It is this participation and partnership, Floyd contended, that define and distinguish the great regions from the good regions, and the good regions from the aspiring regions.

Economic development partnership activities at the University of Missouri include:

- The University of Missouri-Columbia recently opened a \$60 million life sciences center and is developing a technology incubator to help transform and turn laboratory discoveries into useful products and processes and to launch new firms.
- The University of Missouri-Kansas City, in partnership with the Stowers Institute for Medical Research, is studying the advances associated with life sciences and cancer prevention.
- The University of Missouri-St. Louis is working with the Donald Danforth Plant Science Center to work on new solutions as related to plant growth and production, especially in a state that is so dependent upon agriculture.
- Express Scripts, Inc., a major pharmaceutical managing company, decided to locate its national headquarters on the campus of the University of Missouri-St. Louis.

The notion of university-industry partnerships was also espoused by Lee Todd, President of the University of Kentucky, in his remarks. "Let us figure out how we work with industry, and let industry figure out how they work with us, because I think it's the combination that is what's important to our future." Todd emphasized the importance of making higher education research real to our population. While it is important to have professors that are conducting research that will benefit us in fifteen years, it is also important that universities have some professors who are conducting research that is critical to the population of its constituency today.

Todd stated his beliefs in the power of entrepreneurship. He has started an Entrepreneurship Club at the University of Kentucky where he and students talk about starting companies and where he brings back successful entrepreneurs who are graduates and try to instill that attitude in his students, that they can create jobs. He stated, "...put some time and effort into helping your own people start their businesses...I say the Kentucky people who start Kentucky companies will stay in Kentucky. And those are the kinds of investments that we need to have the attitude to make."

Todd also emphasized the importance of securing venture capital and hiring entrepreneurial professors. Having entrepreneurial professors means that universities have to be flexible with them. They have to let these individuals serve on boards and get financially rewarded for their entrepreneurship.

Todd is pushing a concept he calls "in-shoring." As he stated, "You've got these companies on the East and West Coast. And when they get their products up, they want to make them and cut the price; they go offshore to find those five to ten-thousand dollar mechanical engineers in China and India. I'm saying look internal to the company. Come to a city that has a low cost of operation, a high employee loyalty, low turnover, and where you're close to universities, where you can get part-time students. If you merge four part-time students with one full-time engineer, you can compete with the offshore design. You can have these part-time students making \$8 to \$12 an hour, and really help them in learning their career."

Todd also illustrated a statewide initiative in Kentucky, "Bucks for Brains", where in 1997, the state put up \$67 million for the University of Kentucky and \$33 million for the University of Louisville, if the universities matched it with outside contributions. The money went into endowments and the universities could hire professors. The state targeted six to eight economic development areas for the university to focus. In the eight-year period from 1997 to today, the University of Kentucky has been able to take its endowment from under \$200 million to \$550 million, creating over 150 endowed professorships and chairs and investing the money where the state felt it was important. ■

"...the only competitive advantage any university can enjoy is realized by the extent to which we nurture, cultivate the intellectual capacity of citizens within the state that we reside. That's what economic development is all about. It's adding to the growth and vitality of the state, serving as an economic driver to fuel the economy, the growth of a state."

— Elson Floyd, president of the University of Missouri

REGIONALISM: IDENTIFYING AND DEVELOPING INDUSTRY CLUSTERS

“One of the clear keys to regional growth in the future, I think, is the capacity of the local leadership. Where you find regions that have strong leaders who are willing to partner regionally, those are regions that clearly are going to go places.”

— Mark Drabenstott, Vice President, Federal Reserve Bank of Kansas City and Director, Center for the Study of Rural America



As intimated by Mark Drabenstott in his earlier remarks, John Engler, President of the National Association of Manufacturers, and the former Governor of Michigan, indicated that regions need to determine what their assets are, what their niches should be. Dennis Cuneo, senior vice president of Toyota Motor North America, echoed those thoughts when he stated that a region needs to perform an honest assessment of its strengths and weaknesses and develop a strategic plan that makes the best use of its strengths. Cuneo stated that because of globalization, it is important to take a regional economic development approach, which means crossing boundaries between cities, counties,



SYMPOSIUM PARTICIPANTS ENJOY THE PRESENTATION OF THE 2005 EXCELLENCE IN ECONOMIC DEVELOPMENT AWARDS.

and even states because global corporations have many options and are looking to put a facility or an operation in place where they can get a good return. Thus, areas that want to attract new development need to think regionally, cooperate, build on strengths, and take care of weaknesses.

Governor Engler illustrated some regional examples during his tenure in Michigan including Michigan's successful courtship of Toyota to locate a plant in southeastern Michigan. Additionally, he talked about Bosch building a major research center outside Detroit based upon leveraged assets of University of Michigan, Michigan State University, Wayne State University, community colleges and the automotive industry.

Cuneo illustrated the importance of regionalism by highlighting criteria used to select sites for Toyota manufacturing facilities. They include the business climate (tax structure, regulatory system, worker's compensation, justice system), the market and the availability and skill level of the labor pool. He also stated that regions need to take a long-term perspective and be patient – for example, San Antonio had been trying to secure a major Japanese investment for twenty years. It took time, but Texas and Toyota became interested in one another and it worked out. In addition, regions need to be careful not to burn bridges. Tennessee and Indiana both lost out to Kentucky for a Toyota plant but they maintained relations and now both have Toyota projects.

Lee Todd also pointed out the importance of clusters to regional economic growth. He stated, "We have about fifteen aluminum companies in Kentucky because of the cheap energy and the access to waterways. We have a consortium of twelve of those CEOs. They pay a fee, and we do base research for their industry as a whole. They can have proprietary contracts with us so we can do some specifically for each of them. We're looking at doing a painting consortium for the automotive companies because we have a large group of automotive companies, and the leader is Toyota. We have three joint patents with Toyota in painting technologies now. We are doing a similar consortium with the equine industry because we're the Blue Grass section and we have these thoroughbred farms. They used to just race against each other

competitively on Saturdays. When the Mare Reproductive Loss Syndrome hit, they started losing all their foals, they realized that was a common problem to all of them. So they're now forming a consortium, which is a cluster. And it gives them a way to work with us, and it lets us show to those three industries that they're important to us and that we can help solve their problems." ■

CREATING A WORLD CLASS 21ST CENTURY WORKFORCE

“For this country, workforce training is the key to our prosperity in the 21st century. The United States isn’t going to compete on low wages. It’s going to compete on the skill of the workforce, innovation of the workforce. And I do think it’s the strength of our country, and we should continue to invest in it and pursue it further.”

— Dennis Cuneo, Senior Vice President, Toyota Motor North America



The importance of workforce development and human capital was a topic highlighted by virtually every presenter at the symposium. Emily DeRocco, Assistant Secretary of Employment and Training for the U.S. Department of Labor, stated that the development of human talent was the most important component of a sound economic strategy. She said, “It’s the development and use of talent that will ultimately decide the fate of the United States and every other country in the global economy. So, to stay ahead of that global competition, we have to look at the ways that we currently develop our human talent, and we have to improve them. And that means bringing substantial reform to our education and job-training systems.” To that effect, DeRocco emphasized that while education in grade school and high school are important, it is post-high school education and training where real talent development occurs.

DeRocco described the President’s High Growth Jobs Training Initiative which puts employers in control of the \$15 billion investment in workforce preparation in partnership with education and industry. She stated that employers in many sectors, primarily in manufacturing, are facing the daunting challenge of not being able to find workers to fill available



EMILY DeROCCO, ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING ADDRESSES THE SYMPOSIUM PARTICIPANTS ON CREATING A WORLD-CLASS 21ST CENTURY WORKFORCE.

jobs. This is because there are not enough people with the ample skills and education to be successful in today's workplace.

The cornerstone of the High Growth Jobs Training Initiative, according to DeRocco, has been to engage educational institutions, especially community colleges in providing the necessary specialized skills required to work in any industry. The President also recently announced a similar new initiative, the Community Based Job Training Grant, which focuses on building the capacity of the community college system nationwide by connecting employers with each school to provide more and better teachers, state-of-the-art equipment, and a greater capacity to teach more students.

DeRocco stated that she believes there now needs to be a primary focus in illustrating talent development as a central role in the regional economies. Kathy Brittain White, Founder and President of Rural Sourcing, Inc., expanded on this concept by stating that we have to continue to educate but also realize that a college education is not necessarily the end-all equation. "So I think," White stated, "whether it's skills and you get it through a community college, whether it's a blend of high school and trade schools, or whether it's a college education, we need to be aware that no matter what we're able to do, there are people catching us all the time. And so we've got to improve our skills. And I think that's the statement we don't get enough of."

White, whose company specializes in providing low-cost information technology consulting and services and is based in rural regions, focused most of her comments around IT companies. She emphasized that technology is constantly changing and thus "just what you do today is not what you're going to have to do in eighteen months...[and] it's not only our workforce, it's our leadership that needs to be aware that no matter what you're doing today, you need to be looking to the future."

White explained her philosophy on training the workforce which might be different from a lot of people's thinking. She contended that we must not only focus on our top tier high school talent but we also need to concentrate on the middle tier and make sure these individuals are fully utilizing their

talents. Her company has sought “diamonds in the rough” that can be converted into talented, creative workers. As she stated, it is important “that we educate a critical mass and have high expectations for them, because it isn’t enough to have the very top tier, or the upper deviation, do all the creation.”

White, who grew up in rural Arkansas, has located her centers in rural areas and these information technology offices have become involved in the community. Rural Sourcing is a socially directed company and thus in addition to its primary goal of making a profit, it does give back to the community. This has included having some of her management team speak at the local high schools or having her team bond and integrate with regional leaders. Particularly in rural areas, White emphasized the importance in exposing youth to knowledge workers and knowledge work and that it can be done in a rural region. Her company has conducted youth computer camps as well as virtual internships with college students who then in many cases have become employees of her firm. She partners with a local university in a region and works to attract students and convince them to stay in the region. She also targets displaced, qualified workers who are older. She stated that her company plans to expand the number of centers to fifty in thirty-five states over the next five years. This model is one that certainly appears to be stimulating the growth of a world-class 21st Century workforce. ■

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— Kathy Brittain White,
Founder and President of
Rural Sourcing, Inc.

GOVERNOR HALEY BARBOUR: WORKFORCE DEVELOPMENT AND HURRICANE KATRINA

“I’d been Governor about a month, and a professor at Mississippi State University came up to me and he said, ‘You know, Governor, our businesses in Mississippi got three choices. They can innovate; they can immigrate; or they can evaporate.’ And that’s just dead, cold accurate.”

— Haley Barbour, Governor of Mississippi



Haley Barbour, Governor of Mississippi, served as the keynote speaker for the symposium. He, like Kathy Brittain White, touted the significance of technology and telecommunications as a primary factor in the growth of telecommuting. He quoted a statistic from Jack Schultz’s book, *Boomtown U.S.A.*, where over a period of five years, 35 percent of all the jobs in the United States were created in counties with an average population of forty thousand.

Between Barbour’s election and his inauguration, he convened a job creation summit. Three focused priorities resulted from the summit:

- To improve workforce development and job training in Mississippi



ECONOMIC AND WORKFORCE DEVELOPMENT PRACTITIONERS TRAVELED FROM ALL OVER THE COUNTRY TO ATTEND A SYMPOSIUM FOR 21ST CENTURY ECONOMIC DEVELOPMENT.

- To have comprehensive tort reform in order to end lawsuit abuse in Mississippi
- To not raise taxes

Barbour emphasized that we cannot overstate the importance of workforce development and its impact on economic development. As he stated, "...we don't need our people to work harder; we need to help them work smarter because competitiveness that relies on productivity increases is almost always tied to technology, innovation, and the ability of the workforce to use technology, innovation, to take advantage of the innovation, to achieve the productivity to stay competitive is indispensable."

Mississippi, under Barbour's leadership, made a big commitment to workforce development and job training. The whole workforce system was reformed in the state and now resides under the auspices of the newly created Department of Employment Security, which had previously been about unemployment insurance, but now primarily serves to upgrade the skills of the state's workforce and to help the unemployed to upgrade their skills and transition back into the workforce.

Barbour's commitment included doubling the workforce development budget in the state. Evidence of success, according to Barbour, included the Department of Employment Security placing 35 percent more people in jobs than what was accomplished by its predecessor agency the previous year. Mississippi also experienced in the last fiscal year the largest net increase in employment since 1999, the largest net increase in income since 1998, and for the first time in years, the state also realized a rise in manufacturing employment. As the Governor stated, "and a big part of this increase is because our workers are increasingly getting better and better and have higher and higher skills."

Barbour explained, as Emily DeRocco had, that education does not end with K through 12 or even with our colleges and universities. We have a great need for higher-skilled workers and in some cases, college may not be the best option for an individual. He stated, "we have to...de-stigmatize career education in high school today because you can make a great living in Yazoo City, Mississippi – or most anywhere else in the country – with the right kind of skills that don't require

a four-year college degree. Yet, in my home state, if you say, 'Well, my son's not going to go to college, he's going to learn this trade,' people say, 'Well what's wrong with you?' We've got to de-stigmatize workforce development and career jobs because tens of millions of Americans can make a great living and have a wonderful life, yet many of them we're forcing off to college. And then when they flunk out – because we shouldn't have forced them to go there anyway – we've done them a great disservice. They have to start over."

Barbour also explained that Mississippi was the nation's leader in lawsuit abuse which led to the emigration of doctors and the closing of hospitals. Insurance premiums went up and big companies were not attracted to the state. By passing the most comprehensive tort reform bill in the country, Barbour has seen Mississippi's insurance premiums decline and lawsuits have been thrown out of Mississippi and sent back to the states where they should have been tried originally. This impacted job creation.

Barbour also emphasized that his administration pulled the state out of the worst financial deficit in its history without raising taxes. Instead they curbed spending. This also helped in improving the state's economy.

However, Mississippi and the Gulf Coast were dealt with America's worst natural disaster, Hurricane Katrina in late August, which has had a major impact on his region's economy. Barbour spent some time discussing the devastation caused by Katrina and described some heroics – "A lot of people survived the storm by hanging onto trees that didn't fall over. Those Coasties – kids my kids' age – saved 1,700 people that they lifted out by hoist, by helicopters. It's a great story, wonderful people. Hard to believe. And those same people, since that day, have been resilient, self-reliant, selfless, helping their neighbors before they help themselves." He went on to say, "Out of this incredibly terrible disaster, we have an opportunity and, in my opinion, an obligation to those who have been hurt or who died, to take advantage of this new start and bring back the coast bigger and better than ever before."

Barbour concluded his talk by explaining that four times in Mississippi's history it has had a chance for a new start. First,

"...we don't need our people to work harder; we need to help them work smarter..."

— Haley Barbour, Governor of Mississippi

“I am very pleased that many of our post-secondary educational institutions are really making it part of the educational process to assure student study abroad. It is incumbent upon our young people to understand the world economy from the perspective of another country, to have the opportunity to read their newspapers, to hear their news, to understand other countries interest in becoming highly successful in this global economy and tapping into the products that their consumers want at the cost that their consumers want to pay and to equip their workers with the skills that the premier multi-national companies are looking for. That is good education for our young people, so I believe that now our younger workforce is becoming more and more attuned to the fact that this is a global economy and their interest is worldwide and they are getting a better education as a result of it.”

— Emily DeRocco, Assistant
Secretary of Labor for
Employment and Training

there was the post-Civil War era where there were not enough resources for the state to recover until the end of World War II. The second start occurred in the middle of the period of the first – it was the great flood of 1927 and the Depression. The third start was after Hurricane Camille in 1969, where weeks after the hurricane, builders were resurrecting service stations on Beach Boulevard down the coast because nobody realized there was an opportunity to remake that community, its towns and counties. Now Mississippi has a fourth chance to re-start and according to Barbour, it has to have a good plan under strong leadership, with total local buy-in, because the decision has to be made at the local level, not in Washington or Jackson. He concluded by stating, “But we have begun a process – I appointed Jim Barksdale, the former CEO of Netscape, a Mississippian, to chair a process to try and illuminate for our local leadership, business and government the options, the alternatives, the choice – what they cost, how you go about doing them, what the ramifications would be – because I’m determined that, in two years and in five years, that you will see the Gulf Coast in south Mississippi – because this is a calamity that’s much bigger than the coast – rebuilding and rebuilt. And then, in 30 years, people will look back and say, ‘You know those guys, after Katrina, they got it. Those guys, after Katrina, took the opportunity and made the most of it.’ That’s what economic development is really all about.” ■

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