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Taking the Mystery out of Best Places Rankings

By Dariel Y. Curren

13 RANKINGS THAT MATTER MOST AND THE METHODS AND MADNESS BEHIND THEM

With the dramatic rise in number of city and state rankings over the past decade, it has become increasingly clear that there is no one way to define, measure or interpret “best” when it comes to an area’s business climate. The proliferation of these rankings – and their corresponding rise in influence over people’s perceptions – has left many economic developers scratching their heads, trying to understand the differences between rankings, their methodology, their nuances, and what exactly they mean. Here, we aim to demystify the business of place rankings with an in-depth look at what we consider to be the 13 most robust and influential measures of a successful business climate.

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taking the mystery out of

BEST PLACES RANKINGS

By Dariel Y. Curren

during the past decade, the number of city and state rankings has multiplied dramatically. Forbes, CNBC and a handful of economic development magazines once dominated the “best places for business” rankings, but today dozens of media outlets, think tanks, and polling organizations issue verdicts on which locations have the most hospitable business climates.

Do these rankings matter? The simple answer is yes. In the “Winning Strategies in Economic Development Marketing” survey conducted by Development Counsellors International (DCI) every three years, rankings and surveys have consistently registered in the top five choices of corporate executives and site selection consultants when asked to select the sources of information that influence their perceptions of a community’s business climate. Rankings/surveys ranked #5 of 13 choices in the 2014 survey, down from its #3 ranking in 2011.

While some people may say they don’t care and others may take it all with a grain of salt, rankings are often “lightning rod” material in communities. When a place ranks well on the pro-business scale, economic development organizations and chambers of commerce herald the accolade in their local media, on their websites, and in their marketing efforts. Conversely, when a city or state fares poorly, it is not uncommon for mayors or governors to take the heat.

Rankings and surveys also make for classic water cooler and social media material. In our 2.0 world, rankings are easy to tweet, post and forward by e-mail. They are catchy and viral and play to human inclination to take short bits of information and draw sweeping conclusions.



In DCI’s “Winning Strategies in Economic Development Marketing,” rankings and surveys have consistently ranked in the top five choices of corporate executives and site selection consultants when asked to select the sources of information that influence their perceptions of a community’s business climate. This year, rankings/surveys ranked #5.

The proliferation of rankings – and their corresponding rise in influence – has left many economic developers scratching their heads, trying to understand the differences between the rankings, their methodology, their nuances, and what they mean. In a series of webinars, blogs, and presentations over the course of the last two years, DCI has attempted to take the mystery out of best places rankings through independent research and by talking directly to the people who spearhead the rankings about the factors they measure, the methods they use, and their sources for data.

Although new rankings and surveys crop up every day, particularly in content-hungry online me-

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With the dramatic rise in number of city and state rankings over the past decade, it has become increasingly clear that there is no one way to define, measure or interpret “best” when it comes to an area’s business climate. The proliferation of these rankings – and their corresponding rise in influence over people’s perceptions – has left many economic developers scratching their heads, trying to understand the differences between rankings, their methodology, their nuances, and what exactly they mean. Here, we aim to demystify the business of place rankings with an in-depth look at what we consider to be the 13 most robust and influential measures of a successful business climate.

dia like Business Insider, Thumbtack, New Geography, and Nerd Wallet, DCI selected the following 13 rankings that we believe to be the most influential in economic development. The selection was based partly on the results of the 2014 “Winning Strategies” survey, which asked the respondents which rankings and surveys they pay the most attention to, and partly on an informal survey of economic development marketers about the rankings their organizations care most about.

TOP 13 PLACE RANKINGS DEMYSTIFIED

1) Forbes: Best States for Business – Ranked #1 by corporate executives and their location advisors in terms of the rankings/surveys that matter most to them, Forbes “Best States for Business” is considered the “granddaddy” of rankings. According to Kurt Badenhausen, the senior editor at Forbes who spearheads the annual ranking, the “Best States for Business” launched in 1996 to rank the 50 states across about three dozen metrics. A companion survey, “Best Places for Business and Careers,” launched three years later, and the magazine now also compiles an annual “Best Countries for Business” among many other rankings.

Forbes is highly transparent on its website about the data-driven methodology used to produce all three rankings, so this article will focus on its “Best States for Business” ranking, which is typically released in the autumn. According to the magazine, the ranking measures six vital categories for businesses: costs, labor supply, regulatory environment, current economic climate, growth prospects, and quality of life. In all, 37 points of data are factored in to determine the ranks in the six main areas. Below is the current breakdown of each category, as detailed by *Forbes*:

- **Business Costs** - Business costs incorporate Moody’s Analytics cost of doing business index, which includes labor, energy, and taxes. Moody’s weighs labor the most heavily in its index. *Forbes* also included a new state tax index from the Tax Foundation that looks at the tax burden on business in each state across different industries. Business costs are the most heavily weighted component in the *Forbes* Best States for Business ranking.
- **Labor Supply** - Labor supply measures college and high school attainment based on figures from the Census Bureau. *Forbes* also considers net migration over the past five years and the projected population growth over the next five years. Interestingly, this metric also factors in the percentage of the workforce that is represented by a union.
- **Regulatory Environment** - Regulatory environment includes metrics influenced by the government. *Forbes* factors in an index from Pollina Corporate Real Estate that measures tax incentives and the economic development efforts of each state. Other metrics include the Tort Liability Index from Pacific Research Foundation, as well as the regulatory component of PRI’s U.S. Economic Freedom Index. Additional factors include Moody’s bond rating on the

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Utah, which ranked #1 in *Forbes*’ Best States for Business for three straight years from 2010 to 2012, returned to the top spot this year ahead of North Dakota, North Carolina, Virginia and Colorado.

state’s general obligation debt and the transportation infrastructure including air, highway, and rail. *Forbes* also gives credit to those states that are right-to-work states.

- **Economic Climate** - The economic climate category measures job, income and gross state product growth, as well as unemployment during the past five years. Other metrics include the 2011 unemployment rate and the number of big public and private companies headquartered in the state.
- **Growth Prospects** - The growth prospects category measures job, income and gross state product growth forecasts over the next five years from Moody’s Analytics. Other factors include business opening and closing statistics in each state from the Small Business Administration. *Forbes* also measures venture capital investments per PricewaterhouseCoopers and the National Venture Capital Association.
- **Quality of Life** - Quality of life takes in to account poverty rates per the Bureau of Economic Analysis; crime rates from the FBI; cost of living from Moody’s; school test performance from the Department of Education; and the health of the people in the state per the United Health Foundation. In addition, *Forbes* considers the culture and recreation opportunities in the state per an index created by Bert Sperling. The state’s mean temperature is factored in as a proxy for the weather. Lastly, this metric includes the number of top-ranked four-year colleges in the state from *Forbes*’ annual college rankings.

- **CNBC: America’s Top States for Business** – The annual CNBC study ranks 50 states on 56 measures of competitiveness, developed using input from business groups, economic development experts, companies, and the states themselves. States receive points based on their rankings in each metric. CNBC then separates those metrics into 10 broad categories, weighting the categories based on how frequently they are cited in state economic



CNBC's "America's Top States for Business" weights categories based on how frequently they are cited in state economic development materials. This year, Georgia took the lead thanks to #1 rankings in workforce and infrastructure, both of which are heavily weighted with 300 and 350 points, respectively.

development marketing materials. In that way, it is important to note that the study ranks the states based on the criteria they use to sell themselves.

In a presentation at the IEDC Annual Conference in 2013, CNBC senior correspondent Scott Cohen, who manages the annual ranking, explained the cable network's "secret sauce," noting that the 10 categories and weighting are as follows:

- **Cost of Doing Business (450 points):** CNBC looks at the state and local tax burden in each state, including individual income and property taxes, as well as business taxes and gasoline taxes. Utility costs and the cost of wages, as well as rental costs for office, commercial, and industrial space, are also factored into this category. Rental-cost information is furnished by the CoStar Group.
- **Economy (375 points):** To gauge the economy, CNBC looks at economic growth, job creation, and the health of the residential real estate market. Each state's fiscal health is measured by looking at its credit ratings and outlook, as well as state revenues as compared to budget projections. CNBC also gives credit to states based on the number of major corporations headquartered there.
- **Infrastructure and Transportation (350 points):** CNBC measures the "vitality" of each state's transportation system by the value of goods shipped by air, waterways, roads, and rail. It looks at the availability of air travel in each state, the quality of the roads and bridges, the time it takes to commute to work, and the supply of safe drinking water.
- **Workforce (300 points):** CNBC rates states based on the education level of their workforce, as well as the numbers of available workers. It also considers union membership and the states' right-to-work law. Also factored in is the relative success of each state's worker-training programs in placing their participants in jobs.

• **Quality of Life (300 points):** CNBC scores the states on several factors, including crime rate and health care and the percent of the population with health insurance. It also evaluates local attractions, parks and recreation, as well as environmental quality.

• **Technology and Innovation (300 points):** CNBC evaluates the states on their support for innovation, the number of patents issued to their residents, and the record of high-tech business formation. Federal health, science, and agricultural research grants to the states are also considered.

• **Business Friendliness (200 points):** CNBC grades the states on the freedom their regulatory frameworks provide, as well as the perceived friendliness of their legal and tort liability systems.

• **Education (150 points):** The news organization analyzes traditional measures of K-12 education, including test scores, class size, and spending. It also considers the number of higher-education institutions in each state, as well as long-term trends for funding higher education.

• **Cost of Living (50 points):** CNBC reveals little information about this data point.

• **Access to Capital (25 points):** Contending that "companies go where the money is, and capital flows to some states more than others," CNBC looks at venture capital investments by state, as well as small-business lending on a relative basis.

3) **Site Selection: Top US Business Climates, Governor's Cup and Top 10 Competitive States** – Site Selection magazine has been compiling rankings since it was first published in 1954 under the name *Industrial Development*. According to Editor Mark Arend, the issues with rankings are among the publication's most popular, and in DCI's 2014 "Winning Strategies in Economic Development Marketing," Site Selection rankings were #2 on the list of national rankings/surveys that corporate executives and their location advisors cited as the most influential.

The publication's highly coveted "Governor's Cup," which is typically published in Site Selection's March issue, is purely a projects-per-capita contest. In other words, the state with the most new and expanded cor-



In Site Selection's 2013 Governor's Cup, Texas Governor Rick Perry won out for total number of qualifying projects, while Nebraska's Governor Dave Heineman earned bragging rights for most projects per capita.

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porate projects per capita wins. Qualifying projects must meet one or more of these criteria: a minimum capital commercial investment of \$1 million, 20,000 square feet or more of new construction or creation of 50 or more new jobs.

Site Selection uses its publisher, Conway Data, as its primary resource for compiling its “Top 10 Competitive States.” The organization gets its data “via state, country, industry and trend reports, project profiles and a series of widely referenced economic development rankings.” The ranking takes the following criteria into account:

- Total new and expanded facilities
- Total new and expanded facilities per 1 million population
- Total capital investment in new and expanded facilities
- Total capital investment in new and expanded facilities per 1 million population
- Total new jobs created
- Total new jobs created per 1 million population
- Rank in the corporate real estate executive portion of the Site Selection Business Climate Ranking
- State tax climate as ranked by the Tax Foundation
- Performance in the Beacon Hill Institute’s State Competitiveness Index (Business Incubator Index)
- Number of National Career Readiness Certificates per 1,000 residents aged 18-64, according to ACT – Workforce Development Division, administrator of the ACT Certified Work Ready Communities initiative

Site Selection has its own research and editorial staff, which populates the Conway Data New Plant Database on a regular basis with qualifying projects to help determine the top states in its various rankings of business expansion activity. Projects include new and expanded facilities, significant renovations, and industrial leases. In addition, *Site Selection* regularly invites local, regional, and state economic development agencies to submit projects for inclusion in New Plant Database analyses. Most economic developers understand the importance of submitting their project data to *Site Selection* so that their areas’ capital investment activity gets the credit it deserves in the publication’s measures of new and expanding facilities.

4) Area Development: Top States for Doing Business, Gold and Silver Shovel Awards, and Leading Locations – Each year, *Area Development* publishes three major rankings that involve economic development organizations on both a state and city level:

- **Top States for Doing Business** – This report ranks the states based on their number of mentions in a site consultants’ survey conducted by the magazine. The three overall categories are Business Environment, Labor Climate, and Infrastructure and Global Access, which are split into 18 subcategories.

ONE WAY TO HANDLE A POOR RANKING: FIGHT BACK!

What can economic development organizations do when their city or state does not fare well in a national ranking? One option is to fight back. Sometimes the adversity thrust upon a community presents nothing more than an opportunity to stand out and make a statement. In fact, the national media love comeback stories, so a poor showing simply opens a door; it doesn’t shut it. Consider the following three instances in which cities or states took it on the chin, but punched back:

- **Rockford, Illinois:** Named by *Forbes* as the third “most miserable city” in the U.S. for its high unemployment, declining manufacturing base, and high property taxes, Rockford decided it wasn’t going to let the ranking get them down. Instead, the city’s Convention & Visitors Bureau developed an ad campaign with the theme, “Misery Loves Company.” The goal was to turn misery on its head, showcasing how “misery never smelled this fresh,” and “misery never made so many friends,” all the while highlighting the local farmers’ market and vibrant bar scene, to name a few examples. The ranking merely provided a platform for the city to promote creatively its finest assets.
- **Grand Rapids, Michigan:** *Newsweek* proclaimed 10 U.S. cities as “dying” back in 2011, with Grand Rapids earning the No. 10 spot. Rather than sulk, local leaders revived the community’s image with a 10-minute-long lip dub of Don McLean’s American Pie, with 5,000 people participating as the camera rolled through Grand Rapids’ fun-looking downtown. What has happened since then is remarkable – being named by *Forbes* as the No. 1 “Best Place to Raise a Family,” No. 4 “Best City for Finding Employment,” and No. 7 “Happiest City to Work in Right Now.”
- **North Dakota:** When the state of North Dakota inexplicably ranked poorly on *Pollina’s* Top 10 Pro-Business States, the Department of Commerce politely asked for a meeting to discuss the metrics that were being used to determine the ranking. The meeting revealed that one of the data sets didn’t include accurate data for North Dakota. The state was able to suggest a different highly credible data source so *Pollina* could compare “apples to apples” across all 50 states. North Dakota fared much better in subsequent years.



*Fight Back in Style: Rockford, Illinois turned a poor *Forbes*’ ranking on its head with the clever “Misery Loves Company” campaign.*

- **Gold and Silver Shovel Awards** – For these awards, the magazine collects information from all 50 states about their top -10 job-creation and investment projects initiated during the year. Only those projects that actually had capital invested, broke ground, began an expansion or started new hiring, etc. were considered. Based on a combination of weighted factors – including the number of new jobs to be created in relation to the state's population, the combined dollar amount of the investments, the number of new facilities, the diversity of industry represented – five states achieving the highest weighted overall scores are awarded Gold Shovels in five population categories: 15+ million, 8+ to 15 million, 5+ to 8 million, 3+ to 5 million, and fewer than 3 million. Runners up in each of these population categories are awarded Silver Shovels.

- **Leading Locations** – *Area Development* ranks 379 MSAs across 21 economic and workforce indicators. These 21 indicators are pulled from seven data sets originating from four sources: the Bureau of Labor Statistics, Bureau of Economic Analysis, U.S. Census American Community Survey, and Moody's Analytics.

5) Tax Foundation: State Business Tax Climate Index – This index is a hierarchical structure built from five components: Individual Income Tax, Sales Tax, Corporate Income Tax, Property Tax, and Unemployment Insurance Tax. Each state is scored on a scale of zero (worst) to 10 (best). Each component is devoted to a major area of state taxation and includes numerous variables. Overall, there are over 100 variables measured in this report.

Each component is weighted based on the variability of the 50 states' scores from the mean. The standard deviation of each component is calculated and a weight for each component is created from that measure. The result is a heavier weight of those components with greater variability. The weighting of each of the five major components in:

- Individual Income Tax – 32.4%
- Sales Tax – 21.5%

- Corporate Tax – 20.2%
- Property Tax – 14.4%
- Unemployment Insurance Tax – 11.5%

This Tax Foundation index is used as a resource in several state business climate rankings, including Forbes' "Best States for Business" and Site Selection's "Top 10 Competitive States."

6) Pollina Corporate Real Estate: Top 10 Pro-Business States – According to Chicago-based Pollina Corporate Real Estate, its annual 50-state ranking indicates how well each state "has or has not positioned itself to retain and create jobs as well as sustain America's middle class." The study examines 32 factors relative to state efforts to be pro-business and takes a comprehensive two-stage approach:

- **Stage I: Labor, Taxes, and Other Factors** – This stage is based on 19 factors, including taxes, human resources, right-to-work legislation, energy costs, infrastructure spending, worker compensation legislation, and jobs lost or gained.
- **Stage II: Incentives and State Economic Development Agency Factors Evaluation** – This stage examines 13 additional state government-controlled factors, including state financial incentive programs and state economic development department evaluations.

Forbes uses Stage II data from this Pollina study in its "Best States for Business" ranking process.

A lot of questions we get about rankings
are driven by heat from the local press.
For less flattering rankings, consider looking
at them from a different perspective
instead of straight numbers.

COMMON DATA RESOURCES FOR RANKINGS

- Kauffman Foundation
- Bureau of Labor Statistics
- Moody's Analytics
- Tax Foundation
- Census Bureau
- Tort Liability Index (Pacific Research Institute)
- PRI's U.S. Economic Freedom Index
- Small Business Administration
- National Venture Capital Association
- PricewaterhouseCoopers
- Bureau of Economic Analysis
- FBI Crime Rates
- Department of Education
- United Health Foundation
- Forbes' College Rankings
- CoStar Group
- Beacon Hill Institute's State Competitiveness Index (Business Incubator Index)
- ACT – Workforce Development Division

7) Chief Executive: Best & Worst States for Business – *Chief Executive*, a bimonthly magazine that has a print circulation of more than 43,000, surveys 500 random CEOs from among its readership across the U.S. The survey asks the executives to rank states with which they were familiar on measures including tax and regulatory regime, the quality of the workforce, and the quality of the living environment. Unlike many of the other national rankings, which are data-driven, this ranking is based purely on the perceptions of those surveyed. This can prove frustrating to states where perceptions may be lagging reality.

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8) Sperlings' Best Places – Research, data, and number crunching by Oregon-based Bert Sperling has been the basis of numerous “Best Places” studies since 1985. He created Money magazine’s original “Best Places to Live” list and his website, Sperling’s Best Places (www.bestplaces.net) provides content to other sites such as Yahoo!, MSN, eBay, and *The Wall Street Journal*. Among his recent studies are: “Best Places to Retire” (MSN), “Best Cities for Women” (*Ladies’ Home Journal*), “Great College Towns” (*Newsweek*) and “America’s Best City to Live” and “Most Energetic City” (*USA Weekend*). Sperling partnered with *Forbes* in 2014 to identify “Top 97 Opportunity Cities” with the most opportunity for growth.

For the Bestplaces.net website, as well as the rankings in his books and media studies, Sperling uses a wide variety of data sources. Most of this data is public domain and compiled by government organizations, providing objectivity and third-party accountability. Sources include the U.S. Census Bureau, the FBI, the Centers for Disease Control and Prevention, the Bureau of Labor Statistics, the National Oceanic and Atmospheric Administration, and the U.S. Department of Health and Human Services, among others.

9) fDi Intelligence Unit: The fDi Report – For the first time in 2014, the fDi Report focused on the capital investment announced by foreign investors rather than the number of foreign direct investment (FDI) projects. The report draws on data from the fDi Markets database which tracks greenfield investment projects. It does not include mergers and acquisitions or other equity-based or non-equity investments. Only new investment projects and significant expansions of existing projects are included. The data include estimates for capital invest-

ment and job creation derived from algorithms when a company does not release the information.

10) Bloomberg Businessweek/A.T. Kearney: Global Cities Index – Bloomberg ranks global cities based on the A.T. Kearney Global Cities Index score. According to the global management consulting firm, cities are scored on a scale of zero to 100 according to 26 metrics in five dimensions:

- **Business activity** is measured by the number of headquarters of major global corporations, the number of locations of top business services firms, the value of a city’s capital markets, the number of international conferences held in the city, and the flow of goods through ports and airports (weighting: 30%).
- **Human capital** is measured by a city’s ability to attract talent based on the size of the foreign-born population, quality of universities, number of international schools, international student population, and number of residents with university degrees (weighting: 30%).
- **Information exchange** is measured by how well news and information circulate within and outside the city based on accessibility to major television news channels, Internet presence, including the robustness of results when searching for the city name in major languages, the number of international news bureaus, freedom of expression, and the broadband subscriber rate (weighting: 15%).
- **Cultural experience** is measured by the number of diverse attractions in the city, including the number of major sporting events a city hosts, the number of museums, performing-arts venues and culinary establishments, the number of international travelers, and the number of sister-city relationships (weighting: 15%).
- **Political engagement** is measured by how a city influences global policy dialogue based on the number of embassies and consulates, major think tanks, international organizations and local institutions with international reach that reside in the city, as well as the number of political conferences a city hosts (weighting: 10%).

11) Gallup: State of the States – Gallup, the nation’s top polling organization, tracks data on each state in a number of different categories:

- **Politics** (how they lean Democrat vs. Republican; Conservative vs. Liberal, etc.)
- **Religion** (Protestant vs. Catholic; Religious vs. Non-Religious)
- **Economy** (Economic confidence index, job creation index, hiring/firing, payroll to population, underemployment, government workers)
- **Well Being** (everything from percentage of obesity and diabetes to the percentage of people who eat produce frequently to a “city optimism”)

Most rankings still fall under the data-driven category. Want results? Changing policies at the legislative level is still the most effective way to increase a community's standing.

12) Brookings Institute: The Metro Monitor – This think tank and independent research organization tracks the performance of the 100 largest U.S. metropolitan areas on four indicators: jobs, unemployment, output (gross product), and house prices. The analysis of these indicators is focused on change during three time periods: the recession, the recovery, and the combination of the two (recession and recovery). The determination of each time period is place- and indicator-specific, with the recession for a given indicator being defined by the period from its metro-specific “peak” to its “trough” and the recovery being defined by the period from its “trough” to the first quarter of 2014.

For each time period and indicator, rankings are presented out of the 100 largest U.S. metro areas (1 indicates the best performance, 100 the worst). In addition, an “overall” ranking is presented that reflects metro area performance across the four indicators.

13) Business Facilities: Business Facilities Rankings Report – *Business Facilities* evaluates states on the basis of 50 factors, measured using U.S. databases and other resources. The report lists rankings for 25 categories, which are subcategories of the overall “Best Business Climate”:

- Education
- Best Infrastructure
- Economic Growth Potential
- Biotechnology Strength (Drugs/Pharma, Medical Devices)
- Automotive Manufacturing Strength
- Aerospace/Defense Industry Leaders
- Biofuel Leaders (Ethanol, Cellulosic Ethanol)
- Credit Quality
- Export Leaders
- Biotechnology Growth Potential
- Lowest Industrial Electricity Rates
- Employment Leaders
- Employment Recovery Leader
- Natural Gas Production Leaders
- Renewable Energy Leaders (Power Generation)
- Installed Wind Power Capacity Leaders
- Automotive Jobs Leaders
- Wind Power (percentage of overall energy)
- Workforce Training Leaders
- Lowest Cost of Labor
- Per Capita Income
- Best Business Tax Climate

- Data Center Leaders
- Installed Solar Power Capacity

Although *Business Facilities* primarily uses available databases and resources rather than data from states themselves, the magazine does take the “Deal of the Year Award” into account, for which any state organization can be considered through nomination. Submissions are judged by a panel of independent experts from the corporate relocation field.

FOUR TAKEAWAYS FOR ECONOMIC DEVELOPMENT ORGANIZATIONS

The list of rankings goes on and on. *Inc.* magazine tallies the Inc. 5000 fastest growing private companies in America and ranks the top 20 states with the greatest number of those companies in its “Top Cities for Fast-Growth Companies.” Thumbtack reports on a survey of 12,000 small business owners who rank the business friendliness of their own locale as “United States Small Business Friendliness.” There are rankings for the “Most Enterprising States” (U.S. Chamber of Commerce); “The Best Places to Live” (MONEY Magazine); and *Fast Company* ranks how the states stack up for innovation in the magazine’s annual “The United States of Innovation.” You name it and there’s a ranking for it.

Rankings clearly play a role in shaping perceptions that can be critical for attracting talent and businesses, so understanding them is important. Here are four takeaways from our research that could benefit economic development organizations struggling to understand the complexity of rankings:

- **A Tale of Two Rankings:** Rankings generally fall within two categories – data-driven or perception-based. The latter presents a stronger opportunity for marketing influence. One choice we like is using a dynamic personality to change the discussion. Business Leaders of Michigan has done a masterful job of this by using CEOs and other big wigs, including Bill Ford, Chairman of Ford Motor Company.
- **Don’t Forget that Policy Matters:** Most rankings still fall under the data-driven category. Want results? Changing policies at the legislative level is still the most effective way to increase a community’s standing. Case in point: Michigan overhauled its state tax system through a series of reforms, reducing the burden on companies by as much as 86%. This was reflected in the National Tax Foundation’s annual rankings, with Michigan advancing from 29th to 17th between 2008 and 2010.

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- **Are You Who You Are?**: A Golden Rule in marketing is to be authentic. That's hard to stomach if you're No. 256 in the latest Cool Cities ranking. But consider this – California and New York have been consistently ranked among the worst states for business for the past decade. But companies still have to, and want to, do business there. Conversely, South Dakota is almost always in the Top 5 for best state tax environments, but gets poor marks on venture capital flow.
- **Dealing with the Local Press**: A lot of questions we get about rankings are driven by heat from the local press. For less flattering rankings, consider looking at them from a different perspective instead of straight numbers. Perhaps your state is still ranked in the 30s, but have you moved up in the last five years more than any other state? Or if a collection of rankings shows a mixed bag – such as both Top 10 and Bottom 10 finishes – statements should be framed to show that rankings should be taken as a whole. ☺

While some people may say they don't care and others may take it all with a grain of salt, rankings are often "lightning rod" material in communities. When a place ranks well on the pro-business scale, economic development organizations and chambers of commerce herald the accolade in their local media, on their websites, and in their marketing efforts. Conversely, when a city or state fares poorly, it is not uncommon for mayors or governors to take the heat.

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