



Connecting Heritage Assets to Modern Market Demand

By Sara Chester

REINVENTING THE TEXTILE INDUSTRY AND RESTORING COMMUNITY VITALITY TO RURAL NORTH CAROLINA

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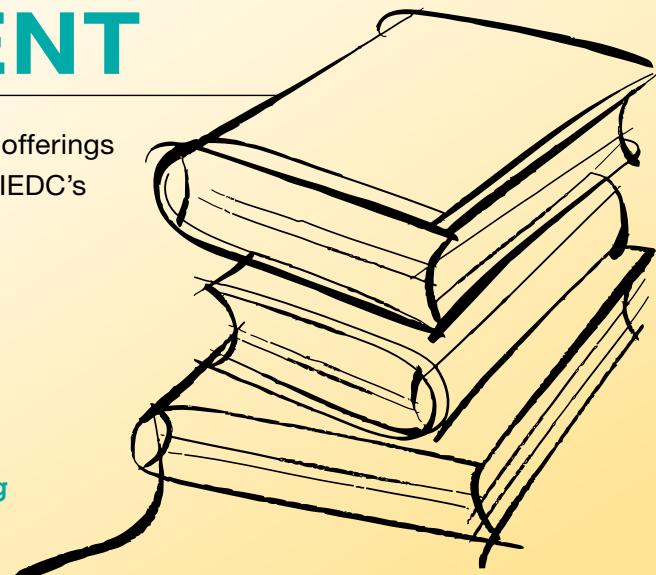


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connecting heritage assets

TO MODERN MARKET DEMAND

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Colorful strips of fabric at CTD Partner Opportunity Threads.

North Carolina is a place rich in history and the Western Piedmont region is no exception. The story of Burke County is intertwined with the growth of manufacturing – specifically furniture and textiles. For decades, homegrown companies employed thousands of people and became the driver of this rural economy. It was for this reason, among others, that the city of Morganton was named, in the 1990s, to the *Reader's Digest* list of "Best Places to Live and Raise a Family"¹.

During this time – when nearly 150,000 people were employed in textiles in North Carolina – the word "offshoring" became a new part of the dinner table conversation. Entire families were laid off as factories closed their doors. It was a regular occurrence for a textile plant to employ 700 people one day and be shuttered the next.

Many of these companies performed contract work for large retailers and brands. They were vertically integrated and relied on one or two contracts to support their operations. When these retailers and brands decided to move their work overseas, it devastated the company – and North Carolina communities in the process.

In the wake of the decline in the textile sector, economic developers worked hard to diversify the economy. Many strategies were successful – such as the establishment of the data corridor, which brought Google, Apple, and Facebook data centers to the region. However, unemployment remained high and young people were fleeing the region in search of jobs and better opportunities. By 2013, less than a decade after being a "top ten place to live," the Gallup Well-Being index placed the cities in the Hickory-Morganton-Lenoir MSA on the list of "Most Miserable Cities in America"².

Sara Chester is project manager at Burke Development, Inc. and co-director of the Carolina Textile District (sara@burkedevinc.com). Deborah Markley, co-founder and managing director for the Center for Rural Entrepreneurship, assisted with the article.

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Community and business leaders in Burke County, NC, have collaborated since 2013 to launch and maintain the Carolina Textile District – a value chain network that supports the growing demand for US textile production. The CTD assists textile manufacturers by building a thriving textile ecosystem and helps entrepreneurs take their idea from concept to production. Burke Development, the county economic development agency, and its partners were recognized for the project as an IEDC Gold Award recipient in the Multi-Year Economic Development category. These local leaders have used their region's manufacturing heritage to harness a new model for sustainable economic growth and define a new vision for the future of their rural community.

THE
DISTRICT
CAROLINA TEXTILE DISTRICT

There was no doubt that Burke County – and the state as a whole – had taken a hard hit. In all, North Carolina lost over 120,000 textile jobs from 1995 to 2010 according to the U.S. Bureau of Labor Statistics. The Western Piedmont region, in particular, grappled with its identity. The people in this region had always been makers; manufacturing remained one of the largest sectors in terms of employment.

The region had weathered a long and devastating storm, but the people and many of the assets in the textile sector were still standing. The challenge was to identify how to use this rich history in production, the remaining infrastructure associated with textile manufacturing and the region's tremendous assets – specifically skilled people – to rebuild the region's economy and communities.

CONNECTING ASSETS TO MEET DEMAND

Every story of reinvention features some critical lead actors. Most often, they are entrepreneurs who recognize opportunities, see solutions that others do not, and mobilize resources to achieve business or social ends. The story of the reinvention of the textile industry in Burke County, North Carolina, and the broader Western Piedmont region is no different.

Dan St. Louis is director of the Manufacturing Solutions Center, a specialized research and development facility known worldwide for testing, rapid prototyping and, basically, finding a “solution” to any manufacturing problem. During the offshoring trend, St. Louis was adamant that textile production would one day return to the states and, in 2010, others started to realize he was right. (See Sidebar 1)

SIDEBAR 1: MANUFACTURING SOLUTIONS CENTER

Each year the Manufacturing Solutions Center (www.manufacturingsolutionscenter.org) helps over 1,000 companies from across the country launch products, increase sales, and create jobs. The center is part of the NC community college system but is 60 percent self funded. Founded in 1990, it now has 21 full time and 12 part time staff, all with manufacturing experience and backgrounds. MSC's economic impact over the past eight years totals over \$77 million. The center takes an industry-focused approach to helping companies with:

- ISO rated lab testing
- Workforce development
- Fast Track technician training
- Entrepreneurial support and incubation
- Export assistance
- Support for federal regulations and procuring
- Commercialization
- Applied R&D
- Sourcing
- Prototyping
- Collaborative problem solving
- Product launch assistance



SIDEBAR 2: OPPORTUNITY THREADS

Opportunity Threads is a worker-owned cooperative located in Morganton, NC, that serves as a contract cut and sew company for brands large and small. Founded in 2008, the company started with just sewers and has grown to employ over 20 talented and skilled individuals. Six of the employees are Member-Owners and have an ownership stake in the company while the other workers are candidates for Member-Owner status.

Opportunity Threads completes samples, handwork, and small runs (250-500 units) but also has the capability to handle medium and large production runs (5,000-30,000 units). The company specializes in working with entrepreneurs moving from small-scale to full scale production. OT partners with many clients who work with upcycled, organic, and sustainable materials. They promote the triple bottom line of business – that a company can create economic, environmental, and social benefits in its community.

Molly Hemstreet was born and raised in Morganton where she returned, after attending Duke University, to teach in the public school system. She realized that her students were often transient because their parents lacked stable employment and decided to start a business that would create jobs in the community. With support from St. Louis, she opened a worker-owned cut and sew facility in 2008 called Opportunity Threads. Hemstreet decided on a cut and sew facility because St. Louis informed her of the immense demand he was seeing for contract cut and sew services. She also recognized that the skills needed for such work were already present in the community, specifically with a group of Mayan immigrants who relocated to the region from Guatemala. (See Sidebar 2)

As her small shop grew from two employees to a bustling production house of over 20, Hemstreet and St. Louis saw an opportunity. They identified a huge demand from entrepreneurs interested in launching American-made textile products. At the same time, the team began to see a growing wave of reshoring from major retailers and brands. This reshoring was the direct result of rising production costs overseas and changing consumer demand toward more customization, requiring quick-turn production and shorter runs. Changes in the market were creating new and growing opportunities for companies like Opportunity Threads that had the capacity to respond quickly and accommodate the shorter runs that these demand partners required.

All of these companies – large and small, new and well-established – needed help navigating the textile supply chain as it exists today. Neither Hemstreet nor St. Louis could handle the amount of requests they were receiving for assistance in finding and establishing a domestic supply chain. They recognized the tremendous assets that remained in the region – skilled sewers who

could literally make any sewn goods product, equipment, infrastructure, and textile “know how.” They saw an opportunity to fill a gap in the system that might bring new economic opportunities to the region.

The pair partnered with Burke Development, Inc., the economic development arm for Burke County, to develop a system and framework that could organize the demand and organize the producers on the ground to meet that demand. With assistance from Rural Support Partners, a social enterprise that helps move sustainable economic development efforts to scale, they looked to the Value Chain model that had been used mostly in the local foods sector and decided to apply the framework to manufacturing.



BUILDING A TEXTILE MANUFACTURING VALUE CHAIN

The value chain concept was first pioneered in 1985 by Harvard Business School professor Michael Porter. It comes from business management and defines a value chain as a set of activities that a firm performs in order to deliver a valuable product or service for the market. In more recent years, organizations like the Asset-Based Community Development Institute and the Ford Foundation have led various initiatives to help practitioners apply the model in a way that leads to improved livelihoods. One of these efforts, WealthWorks, has a community of nearly 20 value chain networks that collaborate and learn from one another. (Resources: www.RuralSupportPartners.com, www.WealthWorks.org)

The team of actors – Manufacturing Solutions Center, Opportunity Threads, and Burke Development – faced the challenge of applying the wealth-building value chain model to a manufacturing sector, essentially building the ship as they sailed it. Their innovation – applying the model in a new sector – caught the attention of a new partner, the North Carolina Rural Economic Development Center, which is a nonprofit tasked with developing, promoting, and implementing sound economic strategies to improve the quality of life of rural North Carolinians. The Rural Center provided a Research and Demonstration grant to launch the project.

The lessons learned from this adaptation process are useful to economic developers interested in applying the value chain framework to other sectors. While any developer should adapt the model to meet the needs of their own community, some basic steps can guide the process. (See Diagram 1)

DIAGRAM 1. HOW IT WORKS



Opportunity Threads employees work on a blanket for Project Repat.

Establish Demand – What product or service is needed in the marketplace that your community can produce or provide? Local demand is a starting point. From the outset, it is critical to identify regional or even national demand that will provide more opportunities to bring wealth into your community from the outside.

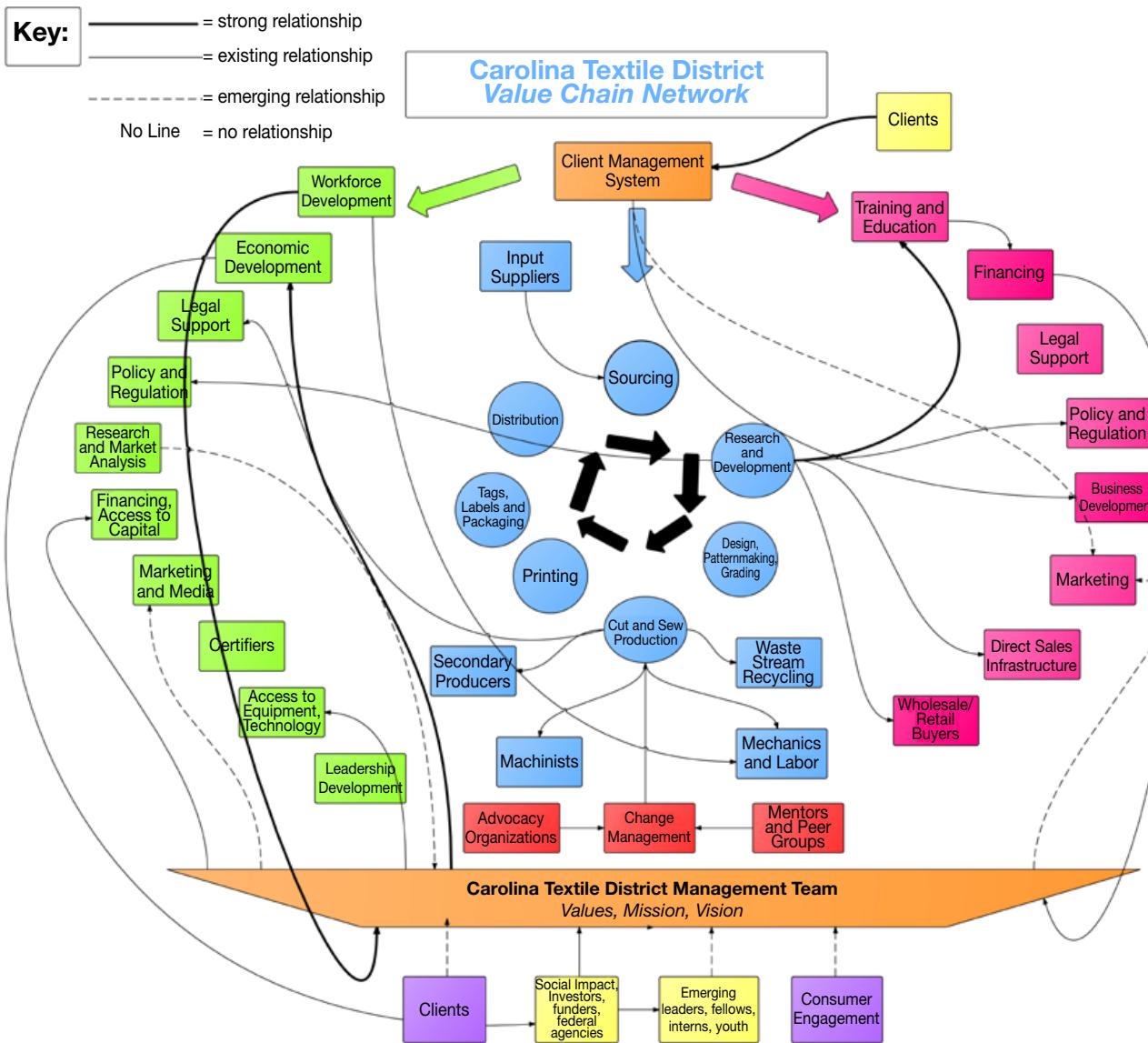
In Burke County, there was proven and increasing demand for textile production from both entrepreneurial ventures in the broader region and large national companies and brands. The most critical challenge was to create the capacity in the region to reinvent the sector so it could meet this demand. An asset-mapping exercise identified exactly the existing infrastructure that could support a reinvigorated sewn goods industry.

Identify a Leader – Many local economic developers are already very busy and have limited budget and staff capacity. Leading an initiative of this scale alone would be a significant – perhaps insurmountable – challenge. The solution, as discovered in Morganton, is to build a team of leaders that can provide support in specific areas. Start with relationships that already exist and find diverse partners that make good, long-term sense.

The Management Team for the textile value chain effort included three organizations – a nonprofit economic development agency, a private business specific to the targeted industry, and a research and development institute based in the community college system. The Manufacturing Solutions Center brought immense textile industry knowledge to the table. Leadership from Opportunity Threads grounded the work in a deeper wealth- and community-building purpose. Burke Development, Inc. provided operational resources and capacity to the project.

Agree on Desired Outcomes – Unlike some supply chain efforts where the benefits accrue mostly to the business partners, the goals of the wealth-building value chain are to build wealth broadly, to build lasting livelihoods in a community or region and to root wealth in place. The WealthWorks model defines broadly to include eight forms of capital – social, political, cultural, built, intellectual, individual, financial, and natural.

DIAGRAM 2: VALUE CHAIN



Building lasting livelihoods means providing opportunities to the companies and people who need it the most. In Morganton, those people included the new immigrants working in small cut and sew operations, legacy mill owners looking to expand their production opportunities, and the young designers just breaking into the industry. Rooting wealth means supporting locally-owned companies, employing the creative and production skills of the local workforce, and bringing back into production shuttered mills.

In Morganton, these goals were consistent with the desire to support locally-owned, small to mid-size textile companies because their growth has a more lasting and rooted impact. This approach also focused on bringing once-productive textile industry assets back into use in the value chain in a way that would provide benefits to owners, employees, and the broader community of Burke County and the Western Piedmont region of North Carolina.

Construct the Value Chain – Participants in a value chain include **Demand Partners** (people who buy the product), **Primary Partners** (core businesses in a tra-

ditional supply chain), and **Support Partners** (organizations responsible for the broader business ecosystem including educational institutions, technical assistance providers, financial institutions, and local governments). In the textile value chain, Demand Partners were clients, entrepreneurs, and major retailers and brands from all across the country who wanted to have sewn goods made. The Primary Partners were the textile manufacturers and associated supply chain companies. The Support Partners included the local small business center office, a local revolving loan fund agency, the North Carolina Rural Center, and other public agencies

Lessons from constructing the textile value chain include:

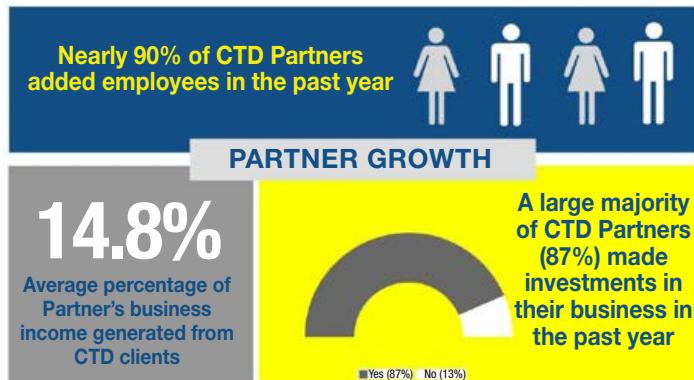
- Start with known and trusted partners and be willing to start small.
- Build momentum and progress with this small value chain team.
- Add new partners when the path forward is clear and the value proposition for engaging them can be clearly demonstrated.

These efforts led to the creation of an organization called the Carolina Textile District, www.CarolinaTextileDistrict.com, which serves as the coordinating network for the CTD value chain and its partners. Diagram 2 shows the value chain's Primary Partners in blue (the core businesses in a traditional supply chain), as well as the Support Partners in pink and green (the organizations responsible for the broader business ecosystem).

Measure Impact – The value chain model is a tool for economic developers. Most developers have to show measurable impact in order to justify their efforts and continued investment in building a stronger economy. Early in the process of building a value chain, it is important to determine how you will measure and communicate impact to partners, funders, the economic development board, and members of the community.

The Carolina Textile District conducts an annual survey with value chain partners to measure impact. CTD tracks such metrics as jobs created, private investment, and sales growth. Measuring the impact of the value chain – and communicating it effectively – will become more important over time to show why this asset-based approach is a good long-term economic development strategy – especially for a rural community. Diagram 3 notes that manufacturers in the value chain network have added employees and increased sales as a result of their relationship with the CTD.

DIAGRAM 3: IMPACTS

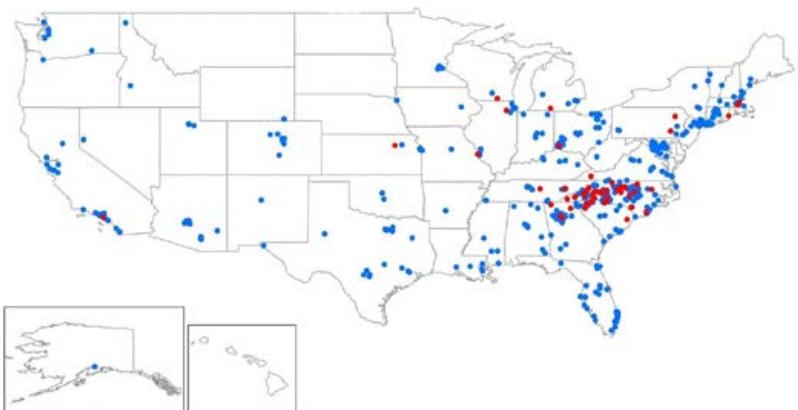


HOW THE CAROLINA TEXTILE DISTRICT WORKS

The Carolina Textile District, an LLC with one full time and two part time staff, is a strategic network of textile related companies – suppliers, manufacturers, designers, and producers – that grow and thrive together as they collaborate to meet the increasing demand for US-based textile production (represented by the red dots on the map in Diagram 4). According to a study released by global strategy and management consulting firm A.T. Kearney, “apparel production was among the top three industries to ‘reshore’ in 2014, with a 12% rise in American production”. CTD assists these reshoring companies, as well as startups, by connecting assets all across the value chain to meet their demand for products and services.

Over 850 potential demand partners to date have connected with the CTD through the online survey for as-

DIAGRAM 4: GEOGRAPHIC SCOPE



sistance in domestic production (represented by the blue dots on the map in Diagram 4). Some demand partners need to access only a few pieces of the value chain (for example, a cut and sew contractor, a designer or a fabric supplier), while others need help taking their project from idea to distribution. CTD Client Managers connect clients to the other value chain partners that are able and interested in producing their specific product at that time. The goal is to drive clients toward completion of a prototype or a production run in just a few weeks.

The CTD supports its primary partners by aggregating and vetting this client demand to provide them with qualified clients and projects. As the organization scaled, CTD received support from the Economic Development Administration to connect with existing manufacturers and facilitate projects and recently from the Appalachian Regional Commission to purchase equipment that can be utilized by the partners in the network. The network started with a handful of value chain partners and quickly grew to a network of over 280 textile-related companies, engaged with CTD in various levels of involvement and partnership.

The mission of the organization has always been rooted in the revitalization of the textile industry and the

CTD CLIENT STORY:

The CTD worked with client Mary Ann Ridenour to launch her tank top line by connecting her to the designer, patternmaker, and cut and sew company that could produce her product. In just a few months, Tucktails (www.tucktails.com) went from an idea to being featured in *The Oprah Magazine*.

Idea → Design → Production → Distribution



notion of supporting the small to mid-size textile companies in the region. This revitalization happens in many ways:

1. **Strengthen existing firms** – As CTD passes work to existing firms, they are able to grow and add jobs. CTD also provides tools and resources that allow them to connect with and understand modern demand, which has shifted to a “Crafted Production” model. This model entails smaller runs, a diversified portfolio of products and mills partnering with scaling clients that have high growth potential.

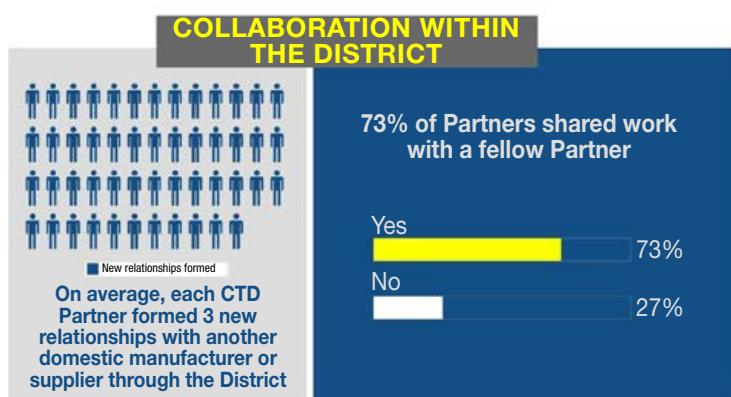
CTD PARTNER STORY:

Partner Nand Thaper was planning to shutter his cut and sew facility until the CTD began working with him. Since then, he has diversified his capabilities, connected with modern demand, and stabilized his company.



2. **Grow and scale new firms** – As entrepreneurs start new textile companies in the region, CTD helps them build a diversified client base and connect with other partners in the value chain. These new firms are important to growing the sector in the region and contributing to job creation and community renewal.
3. **Facilitate large production orders** – CTD is piloting the Mill Network Program, which allows several cut and sew facilities to partner on a large production order. Rather than one mill committing all their production to a 50,000 unit contract, five mills can share the contract by establishing joint pricing and quality control procedures. The Mill Network Program is one tool for tapping larger market demand outside the region, bringing new wealth into the North Carolina Western Piedmont.
4. **Address gaps in the value chain** – As a consortium of partners, CTD is able to address gaps in the value chain that a small firm may not be able to address on its own, such as workforce development challenges or access to equipment. CTD has partnered with the public school system to ensure students graduating from high school are exposed to textile careers and are provided with industrial-focused training. CTD has partnered with the community college system to create a co-working space where companies in the network have access to expensive equipment, such as a Gerber cutter. These efforts help to build – and in some cases rebuild – the workforce needed for a thriving textile sector and ensure that jobs created in the sector benefit the region’s residents.
5. **Spur collaboration** – Value chain partners subscribe to the belief that “as the tide rises, all the ships rise

DIAGRAM 5: IMPACT – COLLABORATION



with it.” They place a high value on collaboration and seek mutual benefit with other businesses in the value chain to support the growth of the industry. This value is reinforced across the value chain and is a tool for vetting new partners as they become part of the value chain. (Diagram 5)

A NEW WAY OF DOING ECONOMIC DEVELOPMENT

Increasingly, small rural communities struggle to compete in the economic development game. Larger cities with substantial economic development budgets can offer incentive packages that are beyond the reach of most rural towns. As a result, more and more of these small town developers are exploring alternative ways to spur economic growth. Often, they are also looking for strategies that create long-term “wins” and move the community toward their own vision of prosperity.

The experience in Burke County suggests that the choice of an economic development strategy does not have to be an “either-or” decision. By looking inward and building upon assets, local developers can create competitive advantages that are unique to their community and enhance their ability to recruit new entrepreneurs and new firms. The value chain is one tool for organizing these assets in a way that brings value to the commu-



Employee at Ashton Printing conducting processes for sublimation printing.



Designer Kristin Tidwell works on a garment.

nity and the region. As a result, CTD has become part of Burke County's recruitment strategy and has provided several project leads. It also spurred *Textile Insight Magazine* in March 2015 to name the region a "Top 10 Emerging Hub for Textile Production"³.

The wealth-building value chain framework provides a way to evaluate investments based on multiple forms of wealth, encouraging a local economic development strategy that is framed around long-term thinking. These models look beyond the typical metrics (jobs and private investment) to explore how a company is supporting a rural community in a deeper way and whether or not that company is committed to the region for the long haul.

Rather than "putting all the eggs in one basket" to recruit a large corporate manufacturing facility, Burke County is choosing to leverage small to mid-sized, locally-owned companies that are rooted in the community. According to the US Census Bureau, over 75 percent of US manufacturing firms employ 20 or fewer employees,

and these companies are by and large the types of businesses that have been growing and creating jobs since the recession⁴. By supporting small manufacturing firms in the textile industry, CTD is making them more sustainable and more competitive. In turn, these firms are building a stronger, more resilient economy and community.

In Morganton and Burke County, NC, the Carolina Textile District and its many partners have found one way to leverage their textile manufacturing heritage to create a more prosperous future for the people and the businesses in this rural community. Although past job losses dealt a devastating blow to this place, it has harnessed growing industry demand by pulling together existing resources, driving work into local companies, and creating a new way of collaboratively supporting the resurgence of American manufacturing. Together, these diverse partners are reinventing the textile industry and restoring community vitality to the North Carolina Western Piedmont. ☐

ENDNOTES:

¹ "Hickory Milestones." City of Hickory. www.hickorync.gov

² "Provo-Orem, Utah, Leads U.S. Communities in Well-Being." Gallup. 25 March 2014. www.gallup.com

³ Blecher, Suzanne. "10 Emerging Design and Production Centers for Domestic Apparel, Footwear & Accessories" *Textile Insight*. March/April 2015. www.textileinsight.com

⁴ Gittleson, Kim. "US Manufacturing: The rise of the niche manufacturer." BBC News. 20 February 2015. www.bbcnews.com

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