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INTERNATIONAL
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Jay C. Moon, CEcD, FM
IEDC Chair

LETTER FROM THE CHAIR

dear colleague

As global and national shifts continue to reshape our economy, communities are adopting innovative ways to maintain and grow their economic prominence. Economic development organizations (EDOs) are central to preserving and enhancing a community's competitiveness. And yet, EDOs face challenges of their own, forcing them to adopt more efficient business practices in order to better assist their core constituencies. IEDC continues to be on the cutting edge of helping our members adapt to these changes through our professional development courses, webinars, conferences, reports, journal, newsletters, clearinghouse services, and many other offerings.

IEDC's Economic Development Research Partners program is focusing on the new realities for EDOs through a series of research papers, examining the challenges and issues facing EDOs, and providing information on what different communities and organizations are doing to stay ahead of the curve. The first paper in this series, "New Realities for Economic Development Organizations," launched earlier this year. This report identifies factors shaping today's economic landscape and how economic development business practices are adapting in response. IEDC will launch more reports throughout the remainder of 2012 and into 2013 that are a part of this theme, focusing on such topics as financing, entrepreneurship, and economic development metrics.

Helping communities assess their recovery needs and develop recovery strategies for dealing with these economic impacts is not new to IEDC and its members. We have been doing this for many years. However, with the growing number of recent disasters (droughts, wildfires, hurricanes, etc), EDOs need to be concerned more than ever about protecting their communities' economic assets and encouraging resiliency among local businesses in the event of such a major economic disruption. Relative to this goal, IEDC is continuing its ongoing disaster recovery efforts through several initiatives, funded by an Economic Development Administration (EDA) grant.

These initiatives include six free webinars on "Economic Recovery in Disaster-Impacted Communities" and a disaster preparedness and economic recovery toolkit for economic development organizations and chambers of commerce. IEDC has also re-launched www.RestoreYourEconomy.org, a disaster recovery tool featuring a new user-friendly experience with added features and resources. As part of the EDA grant, the organization assisted Greater Beaumont, TX, and Lake Charles, LA, to strengthen their business incubation efforts in partnership with local universities and to create a stronger foundation for entrepreneurship within the region.

Throughout the year, I have enjoyed seeing many old friends and meeting new colleagues at IEDC events. I look forward especially to welcoming many of you to Houston at the 2012 Annual Conference, as we gather to learn about the latest trends and developments in our profession. This year's theme, *Energizing Today to Empower Tomorrow: Creating Success in a Global Economy*, focuses on the strategies that stakeholders of all backgrounds can employ right now in order to position their communities to be leaders in the global economy. The conference is the single largest gathering of economic developers this year, with top notch speakers, abundant networking opportunities, and a great deal of sharing cutting edge economic development strategies and best practices.

IEDC is ultimately *your* organization and as chair I hope that you are finding the information and resources you need to generate new jobs, grow and attract firms, and bring prosperity to your communities. We are committed to providing leadership and excellence in economic development for our communities, members, and partners.

Sincerely,

Jay C. Moon, CEcD, FM
IEDC Chair

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DECLINE AND ECONOMIC DEVELOPMENT PROSPECTS

By Robert D. Atkinson

In the 2000s, U.S. manufacturing suffered its worst performance in American history. Not only did we lose 5.7 million manufacturing jobs, but the loss as a share of total manufacturing jobs (33 percent) exceeded the rate of loss in the Great Depression.[1] This, more than any other reason, is why the U.S. economy experienced no net new job creation in the 2000s and why so many state and regional economies struggled and continue to struggle. Reviving manufacturing, and more broadly traded sector (industries that sell outside the U.S.), competitiveness is a key task for local, state, and national economic development leaders.

WHY MANUFACTURING MATTERS?

Supporters of manufacturing offer many valid arguments for why manufacturing jobs are more critical than jobs in most other sectors. These include: manufacturing jobs pay more;[2] manufacturing is a source of good jobs for non-college-educated workers;[3] and manufacturing is the key driver of innovation.

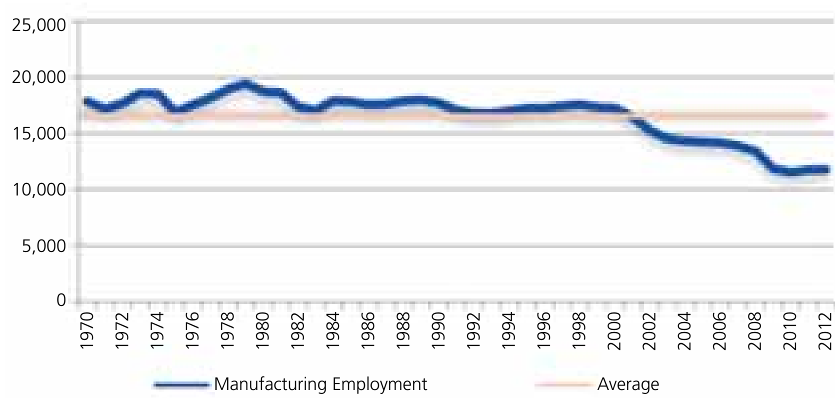
But while these are all true, the central reason why manufacturing matters is that it is a key enabler for the nation, for states, and for many communities of traded sector strength. It is impossible to have a vibrant economy without a competitive traded sector.[4] And manufacturing is still the largest traded sector and will be for some time.

Traded sector jobs are important because they have high employment multipliers. This is the primary reason why all states focus their economic development efforts on traded industries like manufacturing and software, and not on sectors like barbershops and grocery stores. If a barbershop closes, another will take its place to serve local demand. But if a manufacturer closes, another one may take its place, but probably not in the same city or state or increasingly even country. Every lost manufacturing job means the loss of around 2.3 other jobs in the U.S. economy.[5] As such, the anemic overall job performance in the last decade was directly related to the loss of 5.7 million manufacturing jobs.

MANUFACTURING JOB LOSSES

The most obvious sign of U.S. manufacturing decline has been the loss of jobs. To be sure, manufacturing job loss is not new, but prior to 2000 the rate was relatively modest. From 2000 to 2011 the rate of loss dramatically accelerated, with manufacturing jobs shrinking at a rate nearly six times faster (3.1 percent per year) than the rate in the prior two decades. Manufacturing lost 5.5 million jobs for a decline of 31.7 percent. (Figures 1 and 2) The economy lost 13 times as many manufacturing jobs between 2000 and 2010 than between 1990 and 2000.

Figure 1: U.S. Manufacturing Employment (thousands), 1949-2011[6]



Dr. Robert D. Atkinson is president of the Information Technology and Innovation Foundation, a Washington, DC-based think tank and the author of *Innovation Economics: The Race for Global Advantage* (Yale University Press, September 2012). (ratkinson@itif.org)

WHAT STATES AND LOCALITIES CAN DO

In the 2000s, U.S. manufacturing suffered its worst performance in American history, losing 5.7 million jobs. This, more than any other reason, is why the U.S. economy experienced no net new job creation in the 2000s and why so many state and regional economies struggled and continue to struggle. Reviving manufacturing, and more broadly traded sector, competitiveness is a key task for local, state, and national economic development leaders. This article describes a number of steps states and regions can take, but unless the federal government institutes a strong national manufacturing strategy even the best of efforts by states and local governments will fall short.

The economy's anemic employment record of the 2000s is due in large part to the loss of manufacturing jobs. As Figure 2 shows, total job growth was robust in the 1980s and 1990s while manufacturing jobs declined only modestly. But there was no net job growth in the 2000s, principally because manufacturing jobs fell so sharply. When an economy loses an average of 17 manufacturing establishments and 1,276 manufacturing jobs a day and then another approximately 2,400 jobs because of the multiplier effect (for a total loss of approximately 3,676 a day; for the average state 75 jobs a day), it generates a stiff headwind for the American jobs machine to overcome.[7]

Figure 2: Total Net Job Percent Change and Manufacturing Job Percent Change[8]

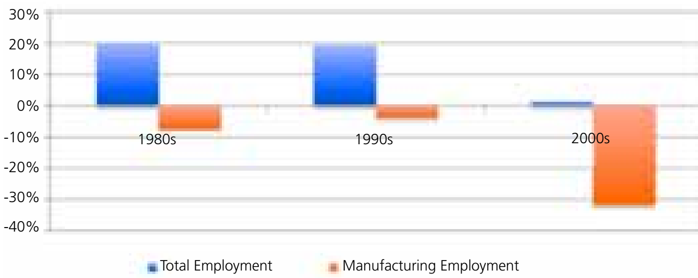
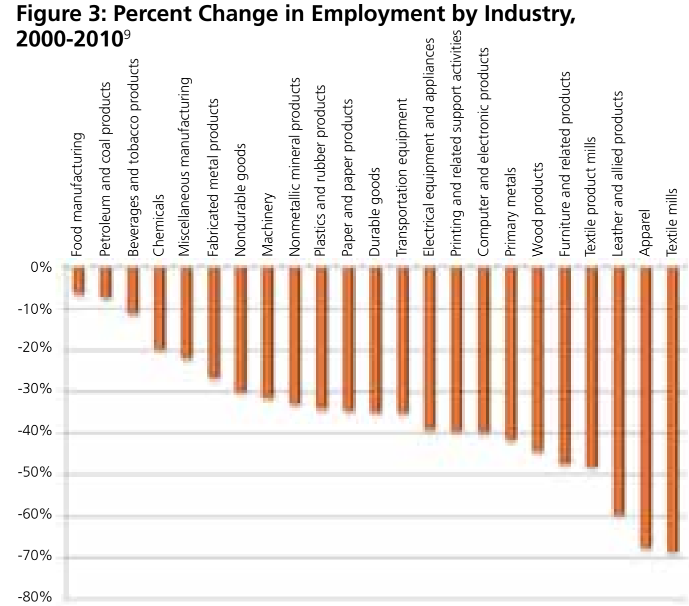


Figure 3: Percent Change in Employment by Industry, 2000-2010[9]



While all manufacturing industries saw job losses between 2000 and 2010, this change was not distributed evenly across industries. Low-value-added industries most affected by globalization saw the steepest losses, with almost seven in 10 jobs in apparel disappearing, six in 10 in textiles, and almost five in 10 in furniture. (See Figure 3) Two industries least impacted by globalization – food products and petroleum refining – experienced the lowest job loss: less than 10 percent each.

One reason some have argued that all is well with U.S. manufacturing is that they persist in viewing manufacturing as a "rust belt" industry where the losses are largely confined to a few states whose economies are concentrated in declining industries. To be sure, "rust belt" states saw significant losses. The deterioration of the automobile industry led to a loss of close to half of Michigan's manufacturing jobs – Detroit alone lost 150,000 auto industry jobs between 2000 and 2008.[10] But manufacturing loss has been a significant feature of almost every state. North Carolina ranks second in the loss of manufacturing jobs between 2000 and 2010.

Only two states – Alaska and North Dakota – saw less than double-digit declines in manufacturing employment (with only Alaska creating jobs), but these two states employ less than 20,000 manufacturing workers combined.[11] Even the third-best state in terms of manufacturing employment performance, Nevada, saw a loss of 11 percent of manufacturing jobs. (See Figure 4, Tables 1 and 2)

Figure 4: Percentage Loss in Manufacturing Jobs, 2000-2010[12]

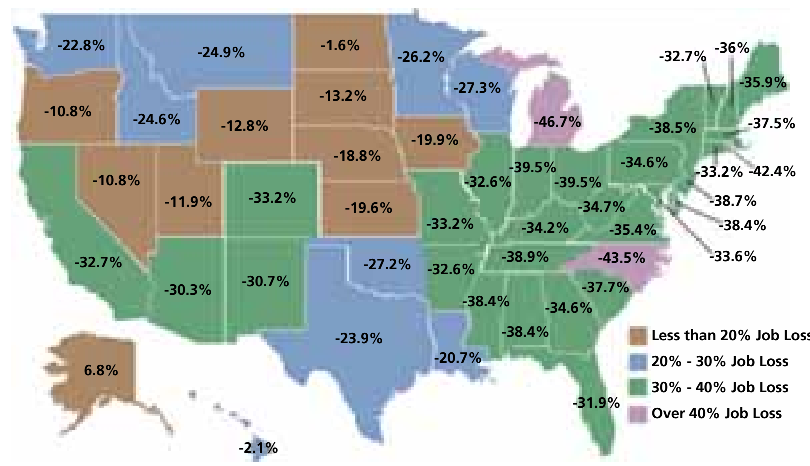


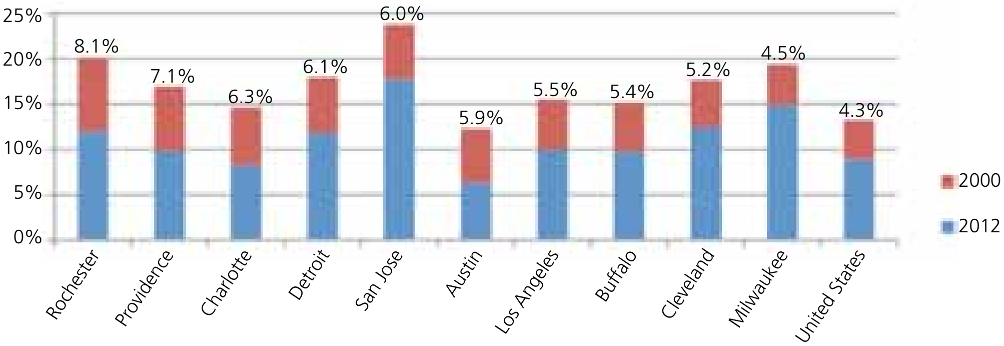
Table 1: Top Ten States With the Largest Share of Manufacturing Job Loss, 2000-2010[13]

Rank	State	Change
1	Michigan	-46.7%
2	North Carolina	-43.5%
3	Rhode Island	-42.4%
4	Ohio	-39.5%
5	Tennessee	-38.9%
6	New Jersey	-38.7%
7	New York	-38.5%
8	Delaware	-38.4%
9	Mississippi	-38.4%
10	South Carolina	-37.7%

Table 2: Top Ten States With Manufacturing Job Gain or Least Job Loss, 2000-2010[14]

Rank	State	Change
1	Alaska	6.8%
2	North Dakota	-1.6%
3	Nevada	-10.8%
4	Utah	-11.9%
5	Wyoming	-12.8%
6	South Dakota	-13.2%
7	Nebraska	-18.8%
8	Kansas	-19.6%
9	Iowa	-19.9%
10	Louisiana	-20.7%

Figure 5: Selected Metropolitan Areas Percent of Workforce in Manufacturing and Percentage Point Declines, January 2000-January 2012[15]



We see the same dynamic at the metropolitan level. It may not be surprising that "rust belt" metros such as Buffalo, Cleveland, and Detroit have lost manufacturing jobs (so much so that fewer than 12 percent of workers are now employed in manufacturing in those areas), but so have so-called "new economy" metros such as Austin, Texas; Los Angeles; and San Jose. (See Figure 5)

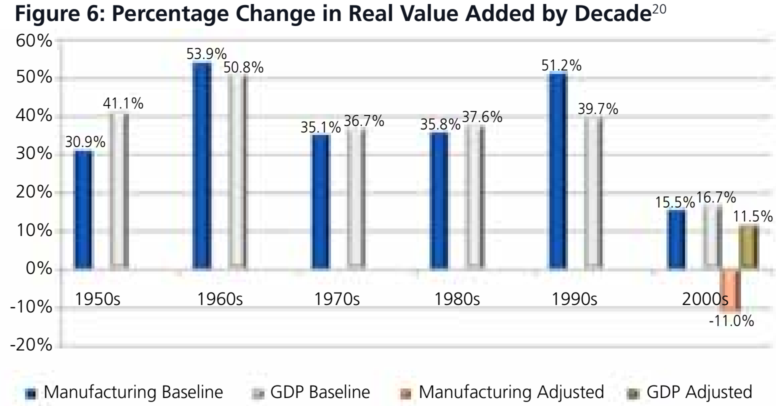
PRODUCTIVITY GROWTH DOES *NOT* EXPLAIN U.S. MANUFACTURING JOB LOSS

Is losing 1/3 of U.S. manufacturing jobs a problem? Unfortunately many economists at the national level put on rose colored glasses and argue it is not. For example, William Strauss, a senior economist at the Federal Reserve Bank of Chicago, stated, "Automation has enabled U.S. manufacturers to produce significantly more with fewer workers than they did in previous decades."[16] In this narrative, all is well. Rapid productivity growth, not output loss, is driving manufacturing job losses. Far from a cause for concern, the dramatic loss in manufacturing jobs should be seen as a key metric of success.[17] Strauss is not alone in his unrealistically optimistic view. Indeed, it has long been the Washington consensus that steep declines in factory jobs are symptoms of our industrial good health.

Lamentably, the state of American manufacturing – and by extension the American economy – has been seriously misdiagnosed. In fact, the idea that "all is well" is faulty on two counts. First, even when relying on official U.S. government data, it is clear that manufacturing output growth has lagged this decade, particularly in a number of key sectors. Second, and more importantly, it is increasingly clear that the U.S. government's official statistics significantly overstate real manufacturing output and productivity growth. The most serious bias relates to the computers and electronics industry (NAICS 334) – its output is vastly overstated. When the Information Technology and Innovation Foundation corrected for these statistical biases, we found that the base of U.S. manufacturing has eroded faster over the past decade than at any time since WWII. In other words, the massive loss of jobs is not due to superior productivity alone. It is also caused by loss of output, which stems from a loss of international competitiveness among U.S. manufacturing establishments.

Once the official output figures are adjusted and aggregated, the recent performance of U.S. manufacturing looks very different from the official figures.[18] As Figure 6 shows, manufacturing real value added actually fell by 11.0 percent from 2000 to 2010, which, in turn, implies that GDP actually grew by only 11.5 percent over the period, and not the officially reported 16.7 percent GDP growth.[19] (Meanwhile, the output of the rest of the private business sector, excluding manufacturing, grew by 16.1 percent.)

Figure 6: Percentage Change in Real Value Added by Decade[20]



We see the same loss of output at the state level. In terms of change in real value added for non-durable goods (e.g., chemicals, food, printing, plastics), 32 states, accounting for 79 percent of national non-durables output, saw losses in output from 2000 to 2010. And of the 18 that saw increases, when change in real non-durables minus petroleum and coal products is measured, 10 additional states, accounting for another 12 percent of U.S. output, saw absolute declines in non-durable output.[21] For example, while non-durable production increased by 220 percent in Wyoming, when petroleum and coal products are removed, it turns out the state suffered a massive 76 percent decline in non-durables output.

Durable goods presents a similar picture. There were just 10 states that produced less real durable goods output in 2010 than in 2000.[22] However, when we assume that NAICS 334 grew 28 percent in each state during this period, rather than the 477 percent that BEA estimates, the picture is quite different.Then 34 states representing 76 percent of U.S. durable goods output saw losses in output.[23]

WHAT MANUFACTURING REVIVAL?

Despite the unprecedented manufacturing job losses, many are now talking about a manufacturing revival. Floyd Norris of the *New York Times* wrote, "When the Labor Department employment numbers are released on Friday, it is expected that manufacturing companies will have added jobs in two consecutive years. Until last year, there has not been a single year when manufacturing employment rose since 1997."[24] The jobs data seem to back up Norris's claim. From January 2010 to May 2012, 495,000 manufacturing jobs were added, contributing to 13 percent of total job gains, even though manufacturing accounts for less than 10 percent of U.S. jobs.[25]

Two straight years of growth may then be interpreted as a manufacturing panacea, where not-so-past worries are firmly dispelled. When measured in terms of job growth since the end of the recession, it is true that manufacturing has added jobs. But this performance is vastly weaker than most post-war recoveries. Manufacturing jobs were up just 0.7 percent in the 30 months since the end of the recession. By contrast, manufacturing added between 6.8 and 9.0 percent in the 30 months succeeding the recessions in 1969, 1974, and the early 1980s.

Norris and others overlook the fact that, at 14.7 percent, the loss of manufacturing jobs in this recession was the largest since the Great Depression. Compare this to the 1990-1991 recession, when manufacturing lost only 3.2 percent of its jobs. Moreover, for every 12 manufacturing jobs lost during the Great Recession, only one had returned by February of 2012.[26]

At the rate of growth in manufacturing jobs in 2011, it would take until at least 2020 for employment to return to where the economy was in terms of manufacturing jobs at the end of 2007.[27] In reality, U.S. manufacturing has been in a state of structural decline due to loss of U.S. competitiveness, not temporary decline based on the business cycle.

The optimism stemming from the restoration of some lost manufacturing jobs is bolstered by reports like a recent one from Boston Consulting Group (BCG) that claimed that, "within the next five years, the United States is expected to experience a manufacturing renaissance as the wage gap with China shrinks and certain U.S. states become some of the cheapest locations for manufacturing in the developed world."[28] In other words, America has turned the corner and is now back in the game. Never mind that BCG came to the exact opposite conclusion a few years earlier, stating, "We maintain, in contrast, that the cost gap [between China and the United States] not only is unlikely to close within the next 20 years, but in some cases may actually increase."[29]

When measured in terms of job growth since the end of the recession, it is true that manufacturing has added jobs. But this performance is vastly weaker than most post-war recoveries. Manufacturing jobs were up just 0.7 percent in the 30 months since the end of the recession. By contrast, manufacturing added between 6.8 and 9.0 percent in the 30 months succeeding the recessions in 1969, 1974, and the early 1980s.

Rob Atkinson testifying before the House Committee on Science and Technology on the role the U.S. government can play in restoring U.S. innovation leadership.

The fact is that the cost differential with China is still quite high, and as China opens up its interior regions to development, it is tapping into new, large pools of low-wage labor. Thus, the rate at which the wage differential is closing is still very slow. In any case, is it really wise to suggest that America not bother to act to revitalize manufacturing because it *might* come back on its own?

WHAT TO DO

Without a strong recovery of U.S. manufacturing competitiveness, it will be difficult for the U.S. economy, and state and local economies, to achieve the kinds of robust growth rates they enjoyed in decades like the 1990s. What can state and local economic developers do? Clearly they can and are doing things within their own regions. But the reality is that unless the federal government institutes a strong national manufacturing strategy even the best of efforts by states and local governments will fall short

ITIF has argued that the federal government needs to implement what we call the 4 Ts of manufacturing policy: tax, trade, tech, and talent policy.

Tax: Effective combined state/federal tax rates on manufacturers in the U.S. are among the highest in the world. We need to expand tax incentives for manufacturers to invest in America in things like R&D, new capital equipment, and worker training.

Trade: Our trade system increasingly doesn't work because more and more nations, most prominently China, are engaged in rampant mercantilist practices. We have to significantly step up the fight to ensure that our manufacturers compete on a level playing field.

Tech: Compared to other nations we invest very little in programs to help manufacturers be more competitive. Funding for our program to help small and mid-sized manufacturers be more competitive (NIST's Manufacturing Extension Partnership program) is much lower than many competitor countries. We need to double MEP funding (from its current level of around $128 million annually) and also enact the administration's proposal to create a National Network of Manufacturing Institutes (NNMI) which would focus on particular technologies and pre-competitive joint research of use to manufacturers.

Talent: We need to do a much better job of ensuring that manufacturers have the talent they need, not just engineers but also skilled manufacturing technicians.

So the single most important thing state and local economic developers – whether in the public or private sectors – can do is to encourage their local members of Congress to support a robust national manufacturing policy based on the 4 Ts. Toward that end, ITIF took the lead in bringing over 20 groups together to endorse a *Charter for the Revitalization of American Manufacturing* based on the 4 Ts.

Beyond federal policies to support traded sector competitiveness, there are a number of policies states and cities can implement to bolster manufacturing competitiveness. These include:

Fully fund the Manufacturing Extension Partnership at the state level. Perhaps the best manufacturing policy states can implement is to fully fund their Manufacturing Extension Partnership centers that work with small manufacturers to become more productive and innovative. The MEP programs have had considerable impact on boosting the productivity, competitiveness, and innovation potential of America's SME manufacturers, and states should fully avail themselves of the opportunity to help their SMEs engage MEP services.

Perhaps the best manufacturing policy states can implement is to fully fund their Manufacturing Extension Partnership centers that work with small manufacturers to become more productive and innovative. The MEP programs have had considerable impact on boosting the productivity, competitiveness, and innovation potential of America's SME manufacturers, and states should fully avail themselves of the opportunity to help their SMEs engage MEP services.

Expand manufacturing technology programs at community colleges. States and regions should significantly expand manufacturing technology programs at community colleges. For example, in 2011 Connecticut's legislature provided $20 million in bonds to establish or enhance manufacturing technology programs at three community colleges.[30] This was part of a broader jobs bill (HB 6801) that authorized $626 million in bonds to support high-tech entrepreneurship, workforce development, and incentivize manufacturers in Connecticut.

Implement innovation vouchers. Iowa has had a voucher-like program in place for the past ten years. The Iowa Industrial Incentives Act designated funds for Iowa manufacturing firms to solve small problems (generally providing about $25,000 to $30,000, with a 1:1 in-kind match), with most of the work being done through the College of Engineering at Iowa State University.

Eliminate job creation tax credits and instead use those funds to implement investment tax credits. Approximately 22 states have job creation tax credits, but evaluations of these programs suggest that they do little to induce firms to hire more workers. Firms hire more workers if they believe that the demand for their products or services is going to increase enough to create work for the added worker, not if the government temporarily offsets the cost of a new employee by a small percentage.[31] States would do better to allocate these "tax expenditures" toward investment tax credits for companies' expenditures on capital equipment.

Align state R&D tax credits with the federal ASC R&D tax credit. Approximately 38 states have R&D tax credits.[32] Approximately half of these states link to the federal R&D credit, which allows firms to take a credit of 20 percent on increases in R&D over a fixed-base period. However, because of limitations with the regular credit, in 2006 Congress created a new Alternative Simplified Credit (ASC) that lets companies receive a credit of 14 percent of the amount of qualified expenses that exceed 50 percent of the average qualified research expenses for the preceding three years. States should follow the model of Washington state which recently passed legislation allowing firms there who take the federal ASC to also take the state credit.[33] Doing this ensures that their state firms that take the federal ASC can also take the state credit.

Extend sales tax parity for manufacturing purchases of computers and IT equipment. Most states provide a sales tax exemption for manufacturers for equipment purchased in the manufacturing process, and some even provide tax credits for the purchase of manufacturing equipment. But few extend this exemption (or credit) to computer and other IT equipment used in the rest of the plant, even though, from a productivity and competitiveness standpoint, it can have an even bigger impact than a traditional piece of machinery.

For example, Washington state's rules governing its manufacturing sales tax exemption state that manufacturing computers qualify only if the computers "direct or control machinery or equipment that acts upon or interacts with tangible personal property" or "if they act upon or interact with an item of tangible personal property." Many other states have similar restrictions.[34] States should follow Wyoming's example which now allows for a sales/use tax exemption on all manufacturing equipment.[35]

Enact collaborative R&D tax credits. Several states provide more generous collaborative R&D tax credits to SMEs working with state universities. For example, Virginia offers a 20 percent credit for research done in partnership with a Virginia university.[36] Likewise, Louisiana offers a 40 percent refundable tax credit for R&D expenses and for investments involved in commercialization of Louisiana technology.[37] Other states should adopt similar policies.

Expand apprenticeship and co-op programs, school-to-work programs, industry-skills alliances, tax credits for employer-based training, and employer-community college partnerships. Instead of reflexively focusing on spurring more enrollment in higher education, states should focus more resources on these types of programs that better prepare individuals with skills in demand by traded sector employers and facilitate individuals getting more on-the-job work experience. A number of states have moved in this direction.

Wisconsin and Georgia have strong youth apprenticeship programs. A number of states and local school districts have established career academies within high schools. Several states have established regional skills alliances – industry-led partnerships that address workforce needs in a specific region and industry sector.[38] Michigan has provided competitively awarded startup grants and technical assistance to 25 industry-led regional skills alliances.

Pennsylvania's $15 million Industry Partnerships program brings together multiple employers, and workers or worker representatives when appropriate, in the same industry cluster to address overlapping human capital needs. In addition, Pennsylvania has supported a number of specialized industry-led training institutes, such as the Precision Manufacturing Institute,[39] the Advanced Skill Center,[40] and New Century Careers.[41]

Other states have established tax credits for company investments in workforce development. California has a deduction for training expenses if a company has spent a certain share of sales on training. Firms in Rhode Island can deduct up to 50 percent of training costs on their corporate income taxes.[42]

CONCLUSION

John F. Kennedy once famously stated that a rising tide lifts all boats. This is true even when the boats are state and local economies. A rising national tide (e.g., a robust and growing U.S. economy) lifts state and regional economies. This is not to say that this is enough; states and communities still need active and smart economic development policies and programs. But unless we get a stronger national economy, it will be hard for states and localities to grow their economies and a strong national economy depends on restoring U.S. manufacturing competitiveness.

ENDNOTES

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2 Gary Yakimov and Lindsey Woolsey, *Innovation and Product Development in the 21st Century* (Gaithersburg, MD: National Institute of Standards and Technology, February 2010), http://www.nist.gov/mep/upload/MEP_advisory_report_4_24l.pdf. U.S. manufacturing jobs, on average, pay 9 percent more in wages and benefits than jobs in the overall economy.

3 Ibid. While manufacturing workers are becoming more educated and skilled, still 47 percent of U.S. manufacturing workers have not completed education beyond high school (with about 36 percent of the U.S. manufacturing workforce having high school but no college education and 11 percent not having completed high school).

4 Traded sector companies are domestic firms that derive a significant portion of their revenue from foreign sources.

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keeping hometown

BUSINESSES AT HOME

By John H. Brown and Corey Rosen

In the typical community, about half of all employees work for mid-sized companies owned by baby boomers, most of whom are thinking about exiting their businesses within the next few years. While some of these businesses will be passed on to family members, competitors or private equity firms will purchase many of them. Other businesses will simply close their doors, because the owners failed to plan for transition.

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So what does this mean to you, the busy economic development practitioner?

Private equity groups that buy companies are often focused on repaying their investment as quickly as possible. Company acquirers may reduce employment at the acquired firm because they can handle some of these tasks elsewhere (indeed, these assumed synergies are why the companies often do the acquisition). Private equity groups may cut employment as a means to increase short-term profits before "flipping" the company to someone else. Acquirers frequently move all (or part) of the operations of an acquisition to a different location. In any event, local jobs evaporate. Shouldn't you be doing something to retain these businesses in your community when owners retire and exit?

Let's look at how one real owner exited his company and kept the jobs in the community.

THE CASE OF ROGER RYBERG

New Ulm, Minnesota, was about to lose one of its hometown companies. And no one had a clue.

Roger Ryberg was the 60-year-old owner of a company that employed just over 75 long-time employees. Over the years, a number of professional buyers, usually representing private equity groups, had approached Roger expressing interest to buy.

Additionally, several of Roger's customers had approached him about selling due to the company's expertise and performance.

Roger was well aware that he couldn't work forever, but he just couldn't see how he could orchestrate an exit that would not only leave his family financially set for life, but also preserve the legacy of the company in the community. Roger liked New Ulm, he liked his employees and if he could manage it, he wanted to see the company – and its employees – stay put. Finally, Roger wanted to transition out of his company slowly because he believed that was the best way to ensure its ongoing success.

The first tentative offers by the private equity groups assured Roger that he could reach his first goal: financial independence. But none of these buyers was willing to make any promises about keeping the plant in New Ulm, much less keeping his employees on board. Nor were they focused on Roger's other goal: a slow transition out of the company.

Like so many other owners, Roger struggled with his exit decision. He didn't know who could help him. He hadn't mentioned his non-financial goal to any of the investment bankers he had interviewed but suspected that none had much incentive to help him reach any but his financial goals.

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USING AN EMPLOYEE OWNERSHIP PLAN FOR BUSINESS CONTINUITY

As baby boomers start to retire, two to three times more closely held companies will be for sale than ever before. If these businesses close for the lack of a buyer or are sold to a buyer who moves jobs out of the area, the impact can be devastating. But an employee stock ownership plan (ESOP) provides a highly tax-favored way for these owners to make their transitions at a fair price on their own schedule. The jobs stay put and employees accumulate wealth. It is a great tool for the right companies, but few business owners know about these plans. That is where economic development professionals can help.

DEMOGRAPHICS: A TICKING TIME BOMB

Roger's situation is far from uncommon. In fact, much about him is quite common.

First, he is an early baby boomer. Born in 1941, he preceded the true boomers (born between 1946 and 1964) who, since 2006, are reaching the age of 60 at a rate of 4 million per year.

Second, according to the Edward Lowe Foundation (www.edwardlowefoundation.org), companies with 10-99 employees – like Roger's – account for only about 11 percent of the total 5.5 million businesses in the U.S. yet more than 35 percent of all jobs. Compare that to larger companies (100-499 employees) that represent .6 percent of all businesses but account for 15 percent of all jobs. When combined, these two categories (10-499 employees) are generally described as "lower middle market" and "middle market" companies.

The failure of owners to understand and to plan their exits provides a huge opportunity for economic development practitioners to step in and provide education and facilitate discussions with owners regarding exit plan alternatives. Evaluating exit paths in light of an owner's goals – one of which is retaining the business in the community – benefits both owners and the communities in which they operate.

Third, his internal exit alarm is ringing right along with other boomers. According to a 2008 report prepared by Bain Surveying, Inc., "47% of middle-market business owners 55 years and older are interested in selling their businesses within three years and yet over 90 percent of business owners have not initiated the planning process."

Typical Owner Goals

Roger's goals were also similar to those of most other owners. At the top of his list was "financial security for my family." He had to convert an illiquid business into enough cash to finance a comfortable post-exit life for himself and for his family.

He also wanted to pick his retirement date. He wanted to leave when he was ready and when the company was ready, but not before. He wanted to transition out gradually, building business value up to the point of sale.

He wanted to choose his successor. The business was part of Roger's fiber and he had worked too hard to hand the keys over to a successor who might be unable to continue the company's success.

Roger, like many other owners, had a few other items on his exit wish list. These included: rewarding his long-time key employees, maintaining the company's legacy in the industry and in his community, and if possible, keeping the company in New Ulm. Typically, "keeping the business in the community" does not rank high on most owners' lists because they believe that there's no way to achieve that goal without sacrificing goals higher on the list.

COMMON OWNER APPROACH TO EXIT

Initially, Roger's approach to his exit was similar to most owners: wait for a buyer to appear. According to a 2010 Harris/Decima survey, only 45 percent of business owners in companies with more than 50 employees have a succession plan.[1]

Many owners respond to the first interested buyer and work to negotiate a deal with that buyer. There are a number of risks to a seller in this position: the seller's lack of expertise in transactions and lack of leverage with only one buyer at the table being the most critical. Even if sellers bring in deal teams to help them, those deal teams are generally so focused on maximizing sale price that they offer little support to the owner who wants his company to remain in its community.

In the lower mid-market and mid-market (10-499 employees), most owners sell to private equity groups or, more commonly, to larger companies. Motivated by cost considerations, these companies typically relocate the target acquisition's headquarters and consolidate manufacturing activities into existing plants. At a minimum, buyers tend to reduce the seller's workforce in an effort to eliminate redundancies.

The damage to the sellers' communities is significant: plants close, employees lose their jobs, and tax revenues take a hit. The hometown owners generally played a significant role in community charities and activities, but buyers do not step into these roles.

OPPORTUNITY KNOCKS

There is clearly a dearth of exit information available to owners. Most do not appreciate all of the exit path alternatives available to them and fewer understand how to evaluate various paths in light of their goals.

The failure of owners to understand and to plan their exits provides a huge opportunity for economic development practitioners to step in and provide education and facilitate discussions with owners regarding exit plan alternatives. Evaluating exit paths in light of an owner's goals – one of which is retaining the business in the community – benefits both owners and the communities in which they operate.

Reaching Out to Owners

Consider taking five steps to reach out to the owners in your community.

1. Recognize that business owners' primary exit goal is to secure financial security for themselves and their families.
2. Understand that owners have a variety of non-financial goals:
   a. Security/reward for employees,
   b. Legacy, and
   c. Keep the business in its community.

3. Bring up the community issue! Ask owners, "Assuming that your financial exit objectives can be attained, is it important to you to keep the business in the community for the benefit of employees, customers, and community?"
4. Educate yourself and business owners about exit path alternatives that meet both their financial goals and their desire to keep the business "locally-owned." These alternatives include:
   a. A transfer to family members,
   b. A sale to co-owners,
   c. A sale to an Employee Stock Ownership Plan (even a minority sale),
   d. A purchase by employees, and
   e. A sale to a third party with restrictions on transferring business location.
5. At every opportunity, remind owners of the importance of their businesses to your community.

In this article, we concentrate on "Option C," a sale to an Employee Stock Ownership Plan, because it provides the greatest likelihood that the business will remain in the community. It is also the least understood of the options. We have already introduced you to Roger Ryberg (the owner who completed the sale of his company to employees in 2008), so let's examine this type of sale in more detail.

ARE ESOPS AN ANSWER?

For owners and for their communities, employee stock ownership plans (ESOPS) can be a win-win solution. For the owner, selling a business to employees is a highly tax-favored means to achieve his or her exit goals. The communities in which these companies are located retain jobs, thus supporting and fueling economic growth.[2]

Despite the many advantages of ESOPs for business transition, they are very often either not known to business owners or the information they have is misleading.

Benefits to the Owner

ESOPs are a kind of tax-favored employee benefit plan funded by pre-tax company contributions. Compare that to a corporate redemption of shares: the company must first generate enough cash to pay taxes on and leave enough to buy the owner's shares. With an ESOP, that's not needed. ESOPs can also borrow money to purchase an owner's interest in full or in installments over time, again with the company using pre-tax dollars to repay the loan (no other company loan allows the deductibility of principal and interest). Many owners can then defer the gain they make on the sale by reinvesting in other companies. Ongoing ESOPs have additional tax benefits, and Sub S 100 percent employee-owned ESOP companies do not have to pay any federal or state income tax at all.

Benefits to the Employees

Employees end up as owners of the company, and as owners, the research shows, help their companies generate 2.5 percent more jobs per year than would have been generated without an ESOP.[3] Employees in ESOP-owned companies have two to three times the retirement assets that employees in non-ESOP companies have – money that can further help stimulate local economies.

Benefits to the Company

As noted, only ESOPs can use pre-tax dollars to buy out an owner. Once a company has an ESOP, it can also make tax-deductible contributions to the plan to facilitate acquisitions of new capital or other companies. Even better, if the company is or becomes an S corporation, the percentage of profits attributable to the ESOP is non-taxable. S corporations do not pay taxes – they pass the obligation on to the owners pro-rata to their share of ownership. But ESOPs do not have to pay these taxes, so if a company is 30 percent ESOP owned, 30 percent of its profits are not taxable. If it is 100 percent ESOP owned (and now about 40 percent of ESOPs are or will be), it is not taxable at all at the federal level. That means these companies can spend more on growth.

Benefits to Communities

1. Jobs are protected and often created.
2. New jobs may be created.
3. Employees leave the company with very large nest eggs to spend in the community.
4. Once employees own a company via an ESOP, employees are very unlikely to ever relocate the business.

In the United States, the National Center for Employee Ownership estimates that there are over 11,000 ESOPs covering over 13 million participants, ranging from companies with just 10 or 20 employees to companies with tens of thousands. Table 1 looks at some key performance merits for ESOPs compared to the economy overall.

Table 1: ESOPs and Economic Performance: Key Data

	ESOPs	Non-ESOPs
Job growth	+2.2% per year greater post-ESOP than prior to ESOPs	Net annual job growth between 2001 and 2011 has been close to zero
Wealth accumulation	ESOP participants generate about 2.5 times the retirement assets as non-ESOP participants and are more likely to have a secondary retirement plan than employees in other companies are to have any retirement plan	Over half the employees in the private sector are not in any retirement plan
Default rates on acquisition loans	<.5%	6% to 19% for private equity firm leveraged buyouts

THE BASICS OF ESOPS

ESOPs are funded by the employer's profits, not the employees' own money.

ESOPs cannot be used to share ownership just with select employees, nor can allocations be made on a discretionary basis. All employees who have worked at least 1,000 hours in a plan year must be included. They receive allocations of shares in the ESOP based on relative pay or a more level formula.

ESOPs can be used to buy all or part of a business.

Many ESOPs are set up to provide one or more owners with a gradual exit from the business – an appealing option for many of today's boomers.

The ESOP pays an owner a price established by an independent appraiser. If purchases are made over time, that price is determined at least annually.

THEN WHY ISN'T EVERYBODY DOING IT?

As appealing as ESOPs are to many business owners, most either don't know what an ESOP is or have received misleading information. Business brokers do not generally talk to owners about ESOPs, (even if they know how ESOPs work) because brokers do not earn commissions on sales to an ESOP. Accountants and other financial advisors may have heard about ESOPs, but few are experts and often mistakenly believe that only large companies can be owned by ESOPs.

We hear a number of common myths about why an ESOP won't work:

- It's only for capital intensive companies or, others say, for labor intensive companies (we hear both). In fact, ESOPs are in every kind of business.
- You must have at least some magic number of employees or sales. There is some truth to this because of the costs of setting up a plan, but there are many ESOPs with 15-50 employees and a few even smaller.
- You have to give up control to employees or disclose all kinds of financial information. That's just not true. Employees only must be given the most minimal governance rights (and they almost never are used) and companies only are required to provide annual account statements to employees, not financials (albeit many are very open-book voluntarily).
- They are only for S companies or, others say, C companies. Either can have an ESOP. S corporations are "pass-through" entities, meaning tax obligations are passed-through to owners. S corporations have limited liability, just like other corporations, but the company pays no tax. Instead, the owners pay tax at their own personal tax rates based on their share of the company's annual profits. C corporations are more familiar – all public companies are C corporations, for instance, and about half of all privately held companies that employ more than a few people are as well. These companies pay taxes at the corporate level, and their owners pay taxes on any dividends they receive.
- They cost hundreds of thousands of dollars to install. As indicated here, that's just not true, although some firms do try to charge that much (so don't use them!).

Local development agencies can, at very little cost, help fill the information void and correct owner misconceptions. Publish informational material, hold meetings, educate yourself, and educate owners. The amount of time and money you invest to save the jobs at stake is far less than you invest in most other business development strategies.

Of course, ESOPs are not for every owner or for every company. ESOPs:

- Are subject to specific and complex federal guidelines to ensure they operate for the benefit of plan participants. They do not therefore work for companies that want to provide ownership just to select people.
- Cost $60,000+ to install and from $15,000 and up (depending on company size) to maintain annually.
- Rarely work for companies that do not have sustainable profits or good successor management already in place.
- Are generally not for very small (under 15 or so employees) companies, which usually find ESOPs impractical.
- Cannot pay a synergistic price, as explained below in more detail.

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RECOGNIZING THE ESOP CANDIDATE

As you look at businesses in your community, there are several factors that must be present for a company to be a candidate for an ESOP:

Profitability: The company must generate enough cash to buy the owner's shares, conduct its normal business, and make necessary reinvestments.

Payroll: There are some limits (albeit generous ones) on how much can be allotted to the ESOP's purchase each year so a business with an exceptionally high value relative to its payroll, may not be a good ESOP candidate. (This is a fairly rare situation.)

Minimal Existing Debt: If the ESOP must borrow to buy the owner's shares, the company's existing debt level must be low enough to secure an adequate loan. The company must not have bonding covenants or other agreements that prohibit it from taking on additional debt.

Corporation Status: If the seller wants to take the tax-deferred rollover, the company must be a regular C corporation (or convert from S to C status). S corporations can establish ESOPs, but their owners cannot take advantage of the tax-deferred rollover. S corporation ESOPs, however, have their own tax benefits. For owners selling gradually, the ESOP tax shield means that while they can't defer tax on the first sale, the non-taxability of the ownership attributable to the ESOP should increase the future value of their remaining shares.

Realistic Seller: The seller must be willing to accept fair market value for its shares. Third party buyers may offer to pay more for a company if it expects its acquisition to create valuable synergies. An ESOP will pay only fair market value as established by an independent appraiser.

Management Continuity: Banks, suppliers, and customers will all want assurance that the ESOP can continue to operate the company successfully. It is essential that key employees are motivated and prepared to replace the departing owner.

IF NOT AN ESOP, WHAT CAN YOU RECOMMEND?

If an ESOP is not an appropriate solution for keeping the business in the community, there are other ways owners can sell to employees. These include:

Outright Sale: In this rare scenario, employees, usually through substantial personal borrowing, pay the owner for the company. This type of sale involves considerable cost and risk to the employees. In this – and in all transactions – there are tax implications for both seller and buyers so both parties must seek competent tax advice.

Gradual Sale: If an owner wants to sell to employees, and if he or she is willing to stay in the business for at least five years and if there are employees who can assume the reins, it is possible to design a transfer to employees which keeps the owner in control of the company until he or she is completely cashed out. These sales require careful planning so owners should consult with experienced exit planning advisors.

Installment Sale: The seller holds a note that employees repay with interest, over time. Owners and employees must negotiate a number of issues in installment sales including: interest rate, note structure, contingencies on the use of corporate cash, the future role of the seller, and acceptable security. A variation of this approach cancels the note if the owner dies before the note is completely paid off. The purpose is to remove the asset from the owner's estate (and subsequent estate taxation), although many small businesses are already subject to the estate tax exclusion.

Table 2 summarizes how ESOPs compare to other transition strategies.

THE ROLE FOR ECONOMIC DEVELOPMENT PRACTITIONERS

ESOPs help both the communities in which they operate and the business owners who choose ESOPs as an exit path. Local development agencies charged with keeping their communities economically vibrant can and should be educating owners about ESOPs.

The federal government already provides incentives for employee ownership. Saving and generating jobs via ESOPs requires no new local or state tax incentives, no new special grants, and far less time than typical development projects. The cost of filling the ESOP information void is minimal.

Research

- Find out which owners in the community are age 50 and above.
- Find out which CPAs in the community have expertise in ESOPs.
- Find out which advisors in the community have exit planning experience.
- Fund an ESOP feasibility study of companies in your area.

Educate Yourself

- Use the information in this article as a starting point.

Table 2: Selling to an ESOP Versus Other Transition Strategies

	ESOP	Redemption	Sale to Employees	Sale to Third Party
Price	Set by independent appraiser	Negotiated	Negotiated	Negotiated
Taxation of gain to seller	Capital gains may be deferred in qualifying companies	Capital gains or dividend taxation	Capital gains	Capital gains
Deductibility of financing cost	Company gets tax deduction for funds contributed to the ESOP	Company funds used to buy the shares are after-tax	Employee funds to buy the shares are after-tax	Not applicable
Who provides financing	Company out of future profits or retained earnings; ESOP trust can borrow money to buy shares with company repaying the loan	Company out of future profits or retained earnings	Employees out of savings or loans	Buyer
Can sale be gradual?	Yes	Yes	Yes	Rarely
Who ends up as owners?	Most or all employees	Generally, one or more family members and/or managers	Selected managers	Outside buyer

Educate Owners

- Send out a flyer explaining an ESOP to business owners over 50 in your area.
- Hold series of ESOP information meetings for business owners. Or co-host these meetings with a local CPA firm that represents ESOPs.
- Interview an owner who has sold to an ESOP. Publish that interview in your local paper.

THE REST OF THE ROGER RYBERG STORY

Roger sold to an ESOP because doing so:

1. Met his financial objectives.
2. Offered the opportunity for extraordinary retirement benefits to his valued employees.
3. Assured the company's presence in his community of New Ulm.
4. Could be done over time so that Roger and his employees could continue to increase business value. In fact, during the 10 years between the initiation of the plan and Roger's departure, share price more than tripled. His employees were highly motivated by their ownership of the company through the ESOP.
5. Allowed Roger to retain control of the company until he was completely cashed out.
6. Enabled Roger to continue chairing the Board of Directors, made up of a majority of outside directors.

STEERING YOUR COMMUNITY THROUGH THE PERFECT STORM

No matter where you live and work, you are facing a tsunami: the pace at which baby boomers are reaching retirement age means an unprecedented number of businesses will transfer ownership over the next 10 years. More specifically, roughly 500,000 of these businesses, employing one-half of all employees in the U.S., will likely transfer ownership.

Iowa Enacts ESOP Legislation

House File 2284 created a state income tax exemption for capital gains earned from the sale of employer securities to a qualified Iowa ESOP. The plan must own at least 30 percent of the outstanding employer securities issued by the company once the sale has been completed. S or C corporations qualify. In 2012, Iowa capital gains tax rates were 8.98 percent.

The bill, which passed both houses with virtually no opposition, also initially appropriated $1 million from the state's general fund to the state's Economic Development Authority to establish a loan program and provide technical, educational, and contractor assistance to help companies establish ESOPs that would qualify for the program. Unfortunately, this provision was dropped in the final version of the bill.

While the tax incentive is valuable for owners in Iowa, experience with state outreach programs on employee ownership in Ohio and Vermont shows that states get a better return on investment from these programs than further tax breaks. Federal law already supplies substantial tax incentives. The key problem is that business owners do not know about how these plans work and often need some "hand-holding" to overcome their initial doubts.

Your job must be to keep as many of these businesses in your community as possible and the best way to accomplish that task is to orchestrate a sustained educational program to targeted business owners describing the benefits of planning their exits. Don't forget to include in your education outreach the benefits an ESOP provides to both the owner and to the community.

ENDNOTES

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the forgotten fifth?

By Erik R. Pages

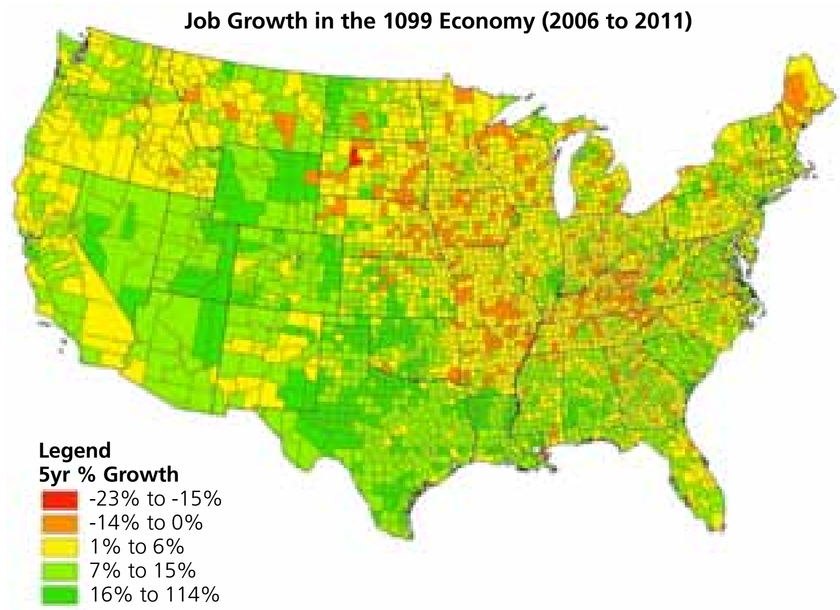
Most economic developers keep pretty close tabs on government economic data. They tend to pay attention and closely track the unemployment rate and other figures on the size and strength of their local economies. But it's likely that few developers realize that many of these data sources, such as the Quarterly Census of Employment and Wages, omit independent workers who could make up as much as 1/5 of the local workforce. This group of independent workers – or what many refer to as the "1099 Economy" – is a rapidly growing but still poorly understood component of the economic development landscape.

This article takes a look at the growing importance of the US independent workforce. It examines several facets of this "new" economy:

- What is the current size of the 1099 Economy and why is it growing?
- What do independent workers look like and what do they seek in a supportive community?
- How can economic development professionals support this underappreciated part of the local economy?

WHAT IS THE 1099 ECONOMY?

We used to call it "Free Agent Nation." Now, many observers are referring to the independent workforce as "The 1099 Economy." While the names may change, they all point to a phenomenon of rising importance – the growing number of Americans who don't have a "regular job" but instead work on individual contracts with employers or customers. These folks don't get the traditional W-2 paystub at the end of the year; they report their taxes with the IRS' form 1099.



The 1099ers are a growing part of our economy. There are a number of ways to slice the data. If you look at US Census Bureau figures on the self-employed, we find 21.1 million self-employed Americans in 2009. Recent data from Economic Modeling Specialists International (EMSI), a Moscow, Idaho-based economic analysis and data provider, suggests that the figures might be even higher. Tracking workers who are not covered by unemployment insurance, EMSI researchers suggest that more than 40 million Americans operate in the 1099 Economy. This represents about 1/5 of the total US workforce.

The independent workforce is growing across the US. Over the last decade, every state – with the exceptions of Alaska and North Dakota – has seen a

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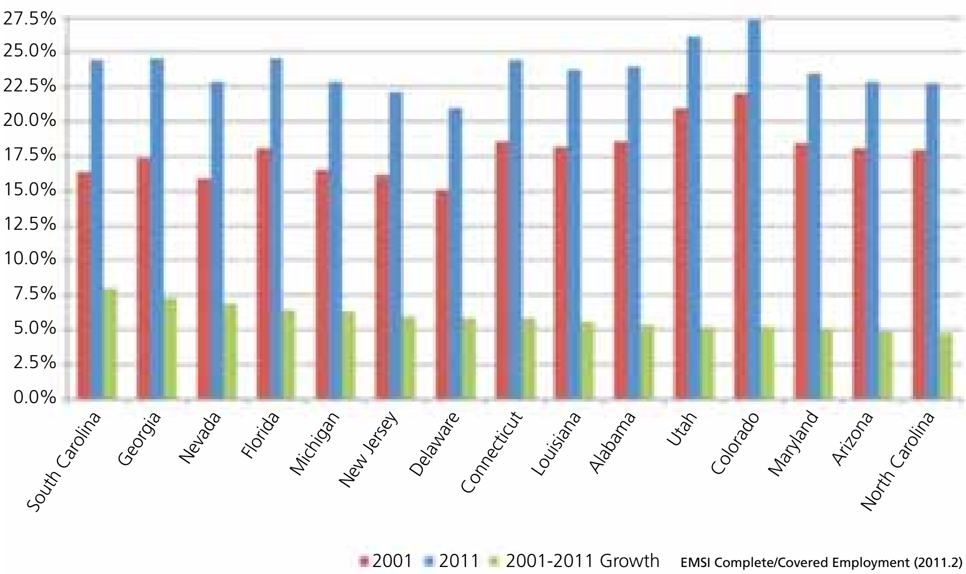
UNDERSTANDING AND SUPPORTING YOUR COMMUNITY'S INDEPENDENT WORKFORCE

The independent workforce – what we refer to as the 1099 Economy – are a growing part of every local economy. These workers, who operate as free-lancers, consultants, or self-employed entrepreneurs, may comprise as much as 1/5 of the American workforce. Their ranks are likely to continue growing as both employers and workers opt for more flexible work arrangements. Yet, with this flexibility comes many challenges, including less secure career options and a leakier social safety net for 1099ers. This article examines the growing 1099 Economy and explains why economic developers should consider new approaches to supporting and nurturing local 1099ers. Suggested strategies include development of co-work spaces, enhanced networking programs, and targeted business start-up and development programming.

States with Largest Growth in 1099 Workers (2001-2011)



rise in both the absolute number and relative proportion of independent workers. Traditionally, the concentration of independent workers has been highest in more rural Western states with large energy sectors, such as Montana, Idaho, and Oklahoma. Not surprisingly, Washington, DC and Virginia, both homes to large government facilities, have the lowest concentrations of these workers.

In recent years, the fastest growth in the 1099 Economy has generally occurred outside of the West. Between 2001 and 2011, states with the fastest growth of independent workers were (in order): South Carolina, Georgia, Nevada, Florida, and Michigan.

This growth is expected to continue and perhaps even accelerate in coming years. The 2011 Independent Workforce Index, produced by MBO Partners, a provider of consulting services and support to independent contractors, suggests that the US economy could see a net increase of 4.3 million more independent workers by 2013. MBO's CEO Gene Zaino has suggested that independent workers will form a majority of the private sector workforce as soon as 2020.

WHY DOES THE 1099 ECONOMY MATTER?

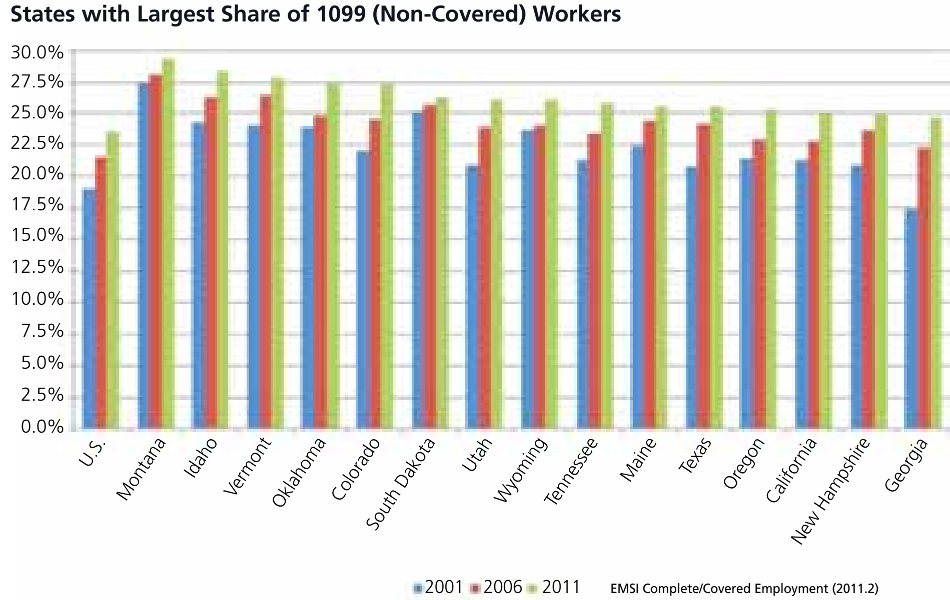
The 1099 Economy is growing for a variety of reasons. On the plus side, many workers choose this status for its many benefits: more flexibility, more opportunities for unique and creative work, and more control over one's work circumstances. And, 1099 status can be profitable. Many fast growing ventures operate as sole proprietorships. For example, in 2008, the Inc. 500 list looked at the ownership structures of firms on this list of US's fast growing companies. The largest sole proprietorship, Milwaukee's Service Financial, had $11 million in revenue, but only one employee – its owner.

Some recent surveys find that independent status is indeed a choice. The 2011 Independent Workforce Index found that most independent workers are very happy with their current work status, and that most of them (55 percent) proactively chose to become freelancers.

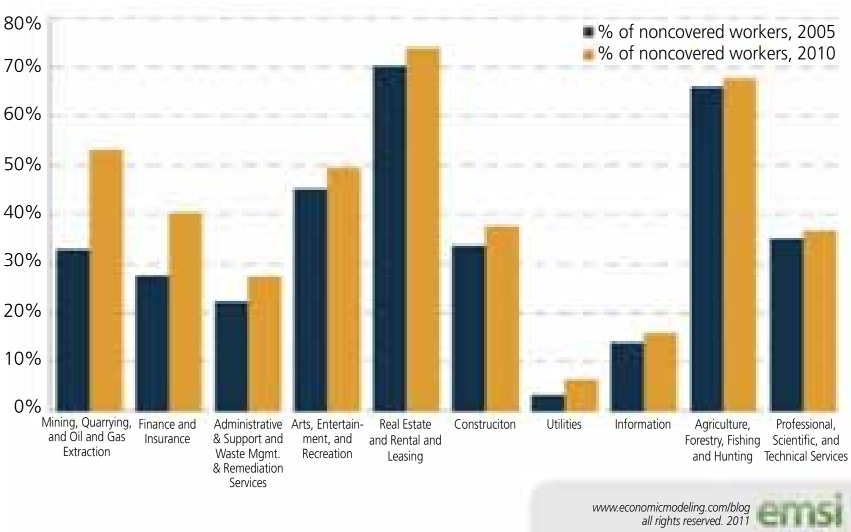
While the freedom of operating in Free Agent Nation can be tempting, there are downsides. The data also suggests that, for many people, operating in the 1099 Economy may not be their first choice. The EMSI research cited here found that the number of non-covered jobs in the US grew by 4 million between 2005 and 2009. The fastest growth occurred in the mining, quarrying, and oil/gas extraction sectors where more than half of all workers are now non-covered. Other areas with high concentrations of 1099 workers are in real estate (74 percent of workers are non-covered) and agriculture/forestry (74 percent). This non-covered status creates a more flexible labor market, but it also creates potential challenges for these workers operating in notoriously unstable industries.

The 1099 Economy has emerged somewhat below the radar over the past decade. Few economic development organizations have devoted much thought or research to the needs of this segment of the economy. And, that's not a good thing if 20 percent of the local workforce is invisible to community leaders.

States with Largest Share of 1099 (Non-Covered) Workers



The Growth of Independent Contractors & Other 'Noncovered' Workers



categories of construction, retail trade, real estate, and professional, scientific, and technical services. In recent years, the downturn has led to an overall decline in self-employment ventures. Yet, even as overall numbers drop, certain sectors continue to grow. For example, in 2009, real estate saw a huge drop in the number of firms. Meanwhile, sectors such as child care and personal care services (e.g. barber shops and beauty salons) continued to grow.

The "Gig Economy" Workforce: Last but not least, the gig economy workforce refers to those who operate in industries that traditionally operate on a project or "gig" basis. Perhaps the best known example is film-making where crews come together for a film and then break up for other projects. Other examples include the arts, theatre, writing, web design, and construction. Salaries for this work can vary wildly – from the high salaries of successful artists and musicians to the paltry wages of the proverbial "starving artist."

These sectors have a long history of operating via these structures. It is clear that more industries are moving in this direction as well. In response, a host of new kinds of support organizations, such as New York's Freelancer's Union, are emerging. If current trends continue, we can expect to see similar groups arising across the US.

WHAT DOES THE INDEPENDENT WORKFORCE LOOK LIKE?

There are several segments within the broad category of the 1099 Economy: the reluctant 1099ers, the entrepreneurial 1099ers, and the "gig economy" workforce. Key segments of the 1099 Economy – the "gig economy" workforce and the entrepreneurial 1099ers – serve as both a key local talent base and as a region's entrepreneurial "bench strength." An important source of high growth businesses can often be found within a region's base of self-employed entrepreneurs. Meanwhile, the reluctant 1099ers may need supports and other services to assist them in returning to traditional employment status or to provide a more robust social safety net.

The Reluctant 1099ers: This group includes those who operate in the 1099 Economy because they have no choice. This group includes those sectors that have previously operated with traditional employment contracts but have now shifted to the new structures. Examples include mining, utilities, finance and insurance, and some administrative fields. While individuals in these specific jobs may be happy with their circumstances, the workers, in a collective sense, face a more uncertain, and probably less profitable, work situation as 1099 contractors.

The Entrepreneurial 1099ers: Many budding entrepreneurs operate in the 1099 Economy. Sole proprietorships and LLCs/LLPs may have numerous workers under contract, yet appear in government statistics as a self-employment venture. This portion of the 1099 Economy has declined slightly during the Great Recession but generally accounts for roughly 20-22 million Americans. Most sole proprietorships are quite small and generate limited revenue. In 2009, average annual revenues were only $39,000. However, a sizable portion does generate significant incomes and may be poised for rapid revenue and job growth. These individuals and their firms are the invisible portion of many local entrepreneurial ecosystems.

Self-employment ventures operate in nearly every industry and sector. They are especially common in the

WHAT DO INDEPENDENT WORKERS NEED?

New Benefit Structures

Regardless of how one classifies these workers, they remain largely invisible to policy makers and to economic and workforce developers. That needs to change. In addition to recognizing the importance of this part of the workforce, we also need to develop a more nuanced understanding of their concerns and needs. At a minimum, providing a stronger safety net makes sense. A number of advocacy organizations, such as the Freelancer's Union and the National Association for the Self-Employed (NASE) are actively working in these issue areas.

The Freelancer's Union has been particularly effective in developing new resources and services for independent workers. Started in 1995 as Working Today, the Freelancer's Union now represents more than 100,000

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members across the US. It offers a variety of services, including health insurance, retirement benefits, a jobs board, and a host of networking and community building activities.

NASE has been operating since 1981 and has more than 250,000 members. NASE members receive services such as access to insurance, buying pools, and various member discounts on products and services. In addition, NASE manages an active advocacy program to support new rules and laws to help the self-employed.

These health and retirement benefits are likely the most pressing needs facing the independent workforce, and the discussion around these benefits will be greatly affected by the debate over new health care reforms in coming years. Freelancers also need assistance in dealing with increasingly complex rules and tax policies affecting independent work. A number of promising pilot projects are underway in this area as well.

For example, the Corporation for Enterprise Development's (CFED) Self-Employment Tax Initiative (SETI) targets tax preparation and support services to the self-employed and to the owners of small microenterprises. It is based on the recognition that tax preparation poses a big challenge to many 1099 workers. Many of these workers file an annual Schedule C form, which can be a daunting proposition for those new to the business world. By focusing on aiding new business owners with tax preparation, SETI also hopes to introduce microenterprise owners to other services, such as training and consulting, and to help them qualify for other benefits and support, such as the Earned Income Tax Credit.

New Work Spaces

Independent workers also work in different kinds of spaces. Home-based employment is growing, but tax rules and other regulations have not kept up with this trend. At the same time, communities should develop new work spaces that support the 1099ers. Here, the recent growth in co-work spaces is a positive trend.

Co-working spaces are exactly what they sound like – locations where individual entrepreneurs or freelancers can come together for work. They can build collaborations at the sites or simply use the co-working space as another place to do business. Co-working spaces take multiple forms, but they generally emerge from an entrepreneur or group of entrepreneurs who seek an alternative to working in coffee shops or other public spaces. They desire a location where they can regularly do business, and, most importantly, interact with other talented people and businesses. And, in keeping with the "alternative" ethos of many co-working spaces, most of them seem to have cool or funky names, like the Gangplank (Arizona), WeWork (New York City), or the Affinity Lab (Washington, DC).

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Affinity Lab in Washington DC is one of the oldest co-working programs in the US. Operating since 2001, the Affinity Lab now hosts more than 50 companies at two locations in downtown Washington.

These spaces operate with similar structures and business models. Washington's Affinity Lab is fairly typical. The lab operates a 24-7, 5,000-square-foot facility with all the basics needed for freelancers: high speed internet access, meeting rooms, desks, white boards, a shared kitchen etc. Affinity Lab members can opt for various membership levels which range from access to one's own desk and work area, to a virtual membership where one has access to any shared space, but no dedicated space or services. In an effort to build a stronger local network, Affinity Lab also sponsors regular programming which can range from a regular happy hour to MeetUps to formal training sessions and workshops.

These co-working spaces differ from earlier models, such as business incubators, because building collaboration is their primary function. Many of the tools and resources provided by incubators are now digitized and can be stored in the cloud or individual computers. The need for dedicated office space – a primary benefit of traditional incubators – thus becomes less pressing for many budding entrepreneurs.

Because of the informal nature of co-working, these locations are also much less expensive to create and manage. In many cases, it is as simple as finding an empty space, filling it with desks, and ensuring good broad-

Co-work spaces are not just for large urban centers. Many smaller communities are also creating these facilities. In Radford, VA, the Virginia TeleWorkforce Connections and Training Center (VATC2) opened for business on Main Street in late 2011.

band access. As such, the development of co-working spaces makes great sense for communities seeking to nurture new business owners and to build strong local collaborative networks.

Co-working is booming across the US. In fact, a whole new set of web sites and services, such as Liquid Space, Loose Cubes, and Shared Desks, now help independent workers find co-working space in any city. New spaces are emerging in rural communities as well.

Specialized Networks and Supports

Communities need to develop new kinds of support and services for the 1099ers. These might include traditional training in business development, but other supports, such as networking or peer-to-peer lending or on-line tools to find customers and partners should also be part of the mix. Many co-working spaces have had success in using the facilities as a gathering place where other business services, such as counseling from a local Small Business Development Center or other training, can be provided.

Independent consultants also have a strong interest in identifying new business opportunities. A number of web sites and consulting agencies do provide matching services and support to help freelancers make connections to new projects or customers. The Freelancer's Union provides this service, as do other independent websites such as guru.com or Freelancers Outpost or the International Freelancers Academy. These sites serve as on-line matchmaking services, where freelancers can post their resumes and other work-related products as part of an effort to land new projects or gigs. At the same time, employers or project directors use these sites to find outside consultants and freelancers.

There are also huge untapped opportunities in connecting the local independent workforce with growing movements around buying local and the newly emerging shared economy. New tools and websites such as Etsy (an arts and crafts marketplace), Kickstarter and Prosper (online funding tools), and Connect.me and LinkedIn (online networking) are all ideally suited to serve and support independent workers.

Kickstarter is gaining a great deal of attention as a platform for arts and creative projects. Typically, an entrepreneur or artist posts an idea for a project, a business, or an artwork and specifies his or her financial needs and plans for using the funds. Interested parties can then opt to invest in a given project or business ideas. Thousands of new projects have already been funded in areas such as technology, dance, photography, publishing, and theatre. As a recent *Business Week* article put it, "With Kickstarter's help, a musician or a guy with an idea for a better bottle opener can raise startup cash in exchange for a copy of the completed album or one of the first bottle openers to roll off the line."

Recent enactment of the JOBS Act is likely to revolutionize and expand the crowdfunding marketplace. Among other things, this bill eliminated several regulatory barriers that limited the amount and types of investments that could be made via crowdfunding sites. In the past few months since the JOBS Act's passage, we have seen the emergence of dozens of new crowdfunding platforms and websites as well as the formation of two new associations competing to serve this new industry.

Better Data

Finally, economic developers need better data on what's happening with the 1099 Economy. At present, there is no one single source where one can capture a complete picture of a region's independent workforce. As we have done in this article, researchers must instead cull from a variety of sources to get a rough estimate of the independent workforce.

Useful data sources include fee for service analyses (from firms like EMSI and others) and free sources that include government data (the Census Bureau's Nonem-

In-person workshops or extended training programs may be less appropriate for 1099ers, who may instead be more interested in less formal learning opportunities as well as distance learning and new connections via social media. In many cases, economic developers need not change the content of existing services but simply need to rethink and redesign how services and programs are marketed and delivered.

ployer Statistics) and other private sources such as the Edward Lowe Foundation's Youreconomy.org site that provides data on self-employment and firm growth patterns over time. While these sources are helpful, they do not provide a complete or comprehensive picture.

Freelancer-Friendly Business Development Support

The 1099ers, especially those with an entrepreneurial bent, have business development needs that are not much different from more traditional small businesses. They need access to capital, technical assistance, access to networks, and the like. Many of the traditional services provided by economic development and small business support organizations are well suited for this purpose. But, they may need to be delivered in new ways and via new media.

In-person workshops or extended training programs may be less appropriate for 1099ers, who may instead be more interested in less formal learning opportunities as well as distance learning and new connections via social media. In many cases, economic developers need not change the content of existing services but simply need to rethink and redesign how services and programs are marketed and delivered.

CONCLUDING THOUGHTS

It's time to recognize that the 1099 Economy is here to stay and will be an important part of every community's workforce for decades to come. In fact, this new employment status is likely to become the norm rather than the exception. As such, the economic development community needs to rethink its current tool kit and update it to support what the world of work really looks like in the 21st century.

(Charts, map, and data provided courtesy of Economic Modeling Specialists International (EMSI). To learn more, visit www.economicmodeling.com.)

2012 CONFERENCE SPONSORS & EXHIBITORS

IEDC would like to thank the sponsors of the **2012 Spring Conference** for demonstrating their commitment to the important work of economic developers. It is through their generous support that IEDC has brought leaders of the profession together for this forum of professional development, peer networking, and discussions of the most imperative issues facing economic developers today. We proudly recognize the following sponsors as partners in helping economic developers to build strong, more vibrant communities.

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NEWS FROM IEDC

EDRP CONTINUES RESEARCH EFFORT TO SUPPORT EDOS

IEDC's Economic Development Research Partners (EDRP) program is currently working on three papers focusing on financing economic development organizations (EDOs), entrepreneurship strategies for high growth companies, and an advanced set of economic development metrics.

The papers are scheduled to be launched over the next 9-12 months. They are linked to this year's EDRP theme, "Adapting and Thriving: New Realities for Economic Development Organizations," which aims to analyze trends affecting EDO business practices and provide resources and best practices from around the country to address emerging issues.

The papers will be available to members to download for free from the IEDC website and in print to non-members for a small fee.

ECONOMIC DEVELOPMENT MARKETING & ATTRACTION TRAINING COURSE COMING TO MADISON, WI

This AICP certified hands-on course will take place October 25-26 in Madison, Wisconsin. Businesses looking to locate or expand need accurate, up-to-date, and credible information and communities need rock-solid marketing techniques to reach the needs of the business community.

Course participants will learn how to craft their community's message by learning about online marketing fundamentals, GIS technologies, website design, and current trends in site selection. Participants will also explore various mediums of communication, including how to best utilize social media and Web 2.0 technologies as economic development marketing tools.

Case studies and sample plans will highlight the dos and don'ts of economic development marketing and attraction. Visit www.iedconline.org to register today.

DISASTER PREPAREDNESS & RECOVERY RESOURCES FOR EDOS

As part of an Economic Development Administration (EDA) grant for Hurricane-Ike impacted communities, IEDC has developed a free webinar series for 2012, "Economic Recovery in Disaster-Impacted Communities." These webinars feature topics such as disaster preparedness for business groups, financing small businesses, and funding critical redevelopment projects.

Through this grant, IEDC is also providing the communities of Greater Beaumont, TX, and Southwest Louisiana with technical assistance in entrepreneurship and business incubation.

Learn about these and other resources and events at the newly revamped RestoreYourEconomy.org. IEDC recently re-launched this disaster recovery web portal for economic development organizations to offer an improved user experience, additional features, and new resources.

AEDO PROGRAM REACCREDITS THE ST. LOUIS COUNTY ECONOMIC COUNCIL

IEDC announces the reaccreditation of the St. Louis County Economic Council (SLCEC). Led by President and CEO Denny Coleman, the organization has been an AEDO (Accredited Economic Development Organization) member since 2009. SLCEC continues to be an important regional economic development leader, and IEDC is proud to have the organization as one of its 31 AEDO members.

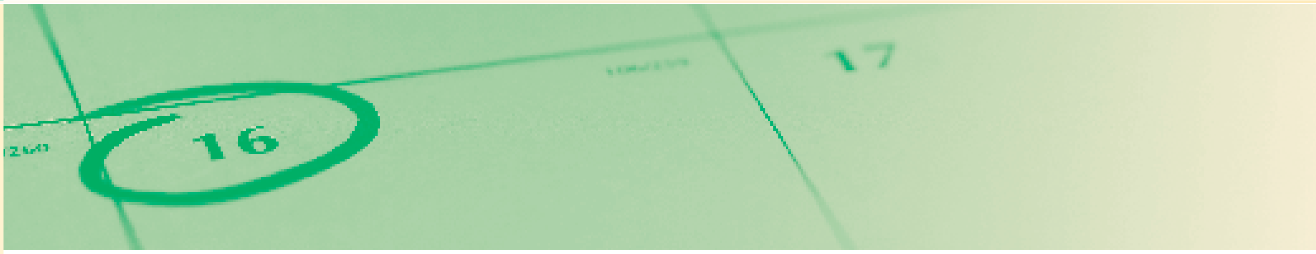
Earning accreditation is a great way for economic development entities to increase their visibility in the community and gain independent feedback on their organizational operations. The AEDO designation is a distinction that differentiates an organization from its competitors and promotes accountability to local leaders and key stakeholders. For more information, please visit the AEDO webpage or contact Tye Libby at tlibby@iedconline.org.

IEDC EXPLORES WHAT CLEAN TECH MEANS FOR ECONOMIC DEVELOPMENT

What does clean tech mean for economic development? IEDC is exploring this question through a grant from the Rockefeller Brothers Fund. We are currently writing draft reports focusing on three areas of clean technology: electric vehicles, net-zero energy homes, and offshore wind. These reports examine opportunities and strategies for future market growth and job creation.

In addition to the three reports, IEDC will conduct workshops with economic development practitioners and industry experts for the offshore wind and electric vehicles industries. The first workshop, focused on offshore wind, will be held in partnership with the American Wind Energy Association on October 9 in Virginia Beach, VA.

CALENDAR OF EVENTS



IEDC sponsors an annual conference and a series of technical conferences each year to bring economic development professionals together to network with their peers and learn about the latest tools and trends from public and private experts.

IEDC also provides training courses and web seminars throughout the year for professional development, a core value of the IEDC. It is essential for enhancing your leadership skills, advancing your career, and, most importantly, plays an invaluable role in furthering your efforts in your community.

For more information about these upcoming conferences, web seminars, and professional development training courses, please visit our website at www.iedconline.org.

CONFERENCES

2012 Annual Conference
Sept. 30-Oct. 3
Houston, TX

2013 Leadership Summit
January 27-29
Orlando, FL

2013 Federal Forum
April 14-16
Alexandria, VA

2013 Spring Conference
June 9-11
Ann Arbor, MI

2013 Annual Conference
October 6-9
Philadelphia, PA

TRAINING COURSES

Business Retention and Expansion
September 27-28, 2012
Houston, TX

Workforce Development
October 4-5, 2012
Baltimore, MD

Real Estate Development and Reuse
October 18-19, 2012
Atlanta, GA

Economic Development Marketing & Attraction
October 25-26, 2012
Madison, WI

Business Retention & Expansion
November 1-2, 2012
Vancouver, BC

Economic Development Credit Analysis
November 7-9, 2012
Phoenix, AZ

Business Retention and Expansion
November 15-16, 2012
Tampa, FL

Neighborhood Development Strategies
December 6-7, 2012
Los Angeles, CA

CERTIFIED ECONOMIC DEVELOPER EXAMS

September 29-30, 2012
Houston, TX

January 26-27, 2013
Orlando, FL
(Appl. Deadline: November 27, 2012)

April 13-14, 2013
Alexandria, VA
(Appl. Deadline: February 11, 2013)

June 8-9, 2013
Ann Arbor, MI
(Appl. Deadline: April 8, 2013)

October 5-6, 2013
Philadelphia, PA
(Appl. Deadline: August 5, 2013)

WEB SEMINARS

September 19 (free)
Financing Small Businesses to Spur Post-Disaster Recovery

October 24 (free)
Financing Critical Infrastructure and Redevelopment Projects

November 28 (free)
Initiatives to Protect Community Assets from Disaster

December 5 (free)
How to Engage Your Small Businesses in Continuity Efforts

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For more information contact Jenny Murphy, editor, at murp@erols.com **(703-715-0147)**.

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

going global

By Birgit M. Klohs

International business and economic development is not about business attraction. Nor is it about imports, exports, or foreign direct investment. It's about all of the above, and more.

Over its 25-year history, The Right Place, Inc., West Michigan's leading economic development organization, has developed a formula for international economic success. Leveraging this formula, today, over 90 international companies now have operations in West Michigan's 13-county region and hundreds of local businesses now have global contracts. A few of these companies include: Benteler Automotive (Germany), Booking.com (Netherlands), Dematic (Germany), Gerber/Nestlé (Switzerland), Kawasaki Motors (Japan), LG Chem (South Korea), and Sun Chemical (Japan).

Each year, the organization coordinates and manages two to three foreign trade missions to Europe, Asia, and the Middle East, meeting with companies that have or may have interests in doing business in West Michigan. Much of what The Right Place has learned over the years has been that international business and economic development is not solely about business attraction. It is about building communication and relationships. It is through those relationships that business decisions are ultimately made.

This article details several aspects of the organization's formula for international business development. From initial strategy planning and preparation, to developing business relationships and avoiding "potholes," the organization's formula for international economic success was developed through years of listening, executing, and trial-and-error.

Too often, communities and economic development organizations focus international business efforts on what many call "elephant hunting:" travelling abroad in search of the next global business expansion for their region. Unfortunately, that aspect of international business represents only a fraction of the total global business trade and investment pie. And, in some cases, this has given international business development a poor reputation of success.

Michigan Governor Rick Snyder and the Michigan economic delegation on a tour of the Fraunhofer Institute for Chemical Technology in Germany. The purpose of the meeting was to discuss potential research partnerships between Fraunhofer and Michigan

In 2010, the U.S. exported over $1.9 trillion in products and services, while receiving more than $164 billion in foreign direct investment. The U.S. now ranks first and second in the world, respectively, in total service exports (14 percent global share) and goods exports (8.4 percent global share).

However, it is critically important to note that the global economy has changed considerably over the past several years. Today, approximately one-quarter of the 27 European Union (E.U.) countries are experiencing significant national debt issues. Resulting austerity measures are having dramatic effects on the current and future value of the Euro. With the E.U. being a major importer of the U.S. (22 percent of total U.S. exports in 2010), demand

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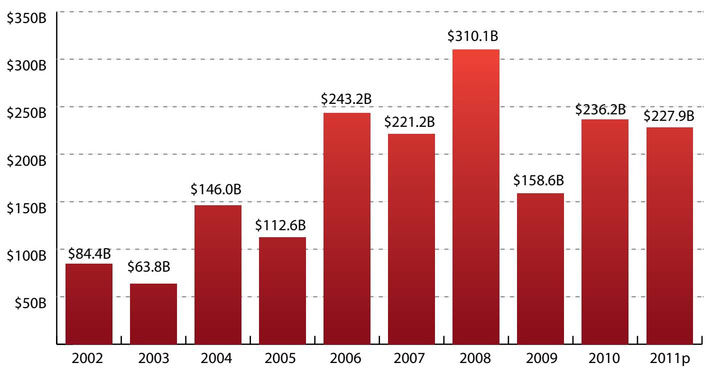
BEST PRACTICES IN INTERNATIONAL BUSINESS DEVELOPMENT

Each year, the U.S. imports and exports trillions in goods and services. However, continued international business, political, and social issues are contributing to increased trade instability and business uncertainty. Thus, successful economic developers must have a solid strategy for how, why, and where they can effectively build international business relationships. By developing a long-term strategy, executing short-term tactics that support the strategy, and avoiding the "potholes," communities and economic development organizations can succeed globally.

Total Foreign Direct Investment in the U.S. (2002-2011p)



Source: U.S. Bureau of Economic Analysis, International Transactions Account data; p = preliminary

for U.S. products and services has the potential to experience significant changes. And while the E.U. works through its challenges, other economic tensions continue to increase in other areas of the world.

Business, political, and social issues continue to build trade instability and business uncertainty throughout the M.E.N.A. (Middle East and Northern Africa) region. Long-term U.S. trade relations with China, an economy that traded $539 billion in goods and services with the U.S. in 2011, remain unclear. Meanwhile, in the U.S., debate on foreign immigration and visa policies rages on.

With such a current high level of business uncertainty both domestically and abroad, why would any community pursue an international business development strategy? The reason is that just as successful, innovative companies see challenges as opportunities, so too should smart economic development organizations.

Today, smart organizations are taking an approach that mimics a Major League Baseball strategy most recently made popular by the Brad Pitt movie "Moneyball." That is, while homeruns are exciting and grab headlines, base hits and runs win games – and grow economies. Smart organizations are focusing on research and data on manufacturing supply chains, newly formed joint ventures, and more to show where their community has the highest likelihood for international success. The focus is on smaller, individual wins like new supply chain contracts and local joint ventures than larger, more elusive expansion and relocation projects.

Successful international business development requires numerous initiatives and individual activities, all guided by two key elements.

First: A community must understand all aspects of its region (good and bad), and how they relate to the global business environment.

Second: Communities must have a long-term vision and strategy for how they will engage in international business development.

BUILDING A STRATEGY

Developing a successful, long-term international business development strategy requires analysis, community input, and establishing measurable goals. These goals must fit the unique culture of the community and its assets. There is no "one-size-fits-all" approach to international business development, and what works for one community may not work for another. Without a clearly defined and documented strategy, not only can a community's efforts be in vain, the consequences can be very costly – both in dollars spent and credibility lost.

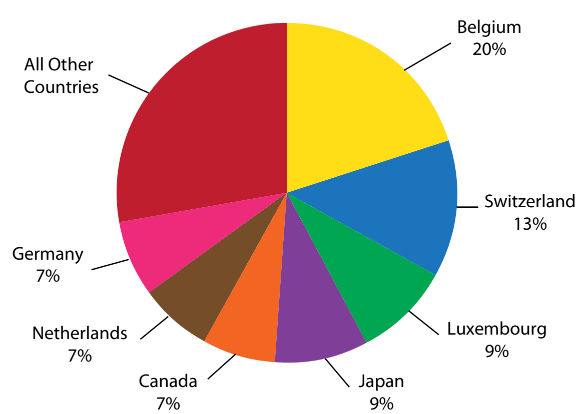
At a minimum, an international strategy should answer these questions:

- Is there community support for this effort?
- Who will lead the effort?
- What do we want to accomplish?
- By when should we accomplish it?
- Where, geographically, do we want to accomplish it?
- What industries or market sectors are we going to target?

Although similar, international business development is not the same as domestic development. International business relationships take much longer to develop. Successful relationships are built on trust. Even in the era of instant access to data and sharing of information, success internationally takes time. One-time "trade missions" do little to establish long-term business collaborations and are often viewed as "business shopping trips" by both the local community and international prospects. This is not to say that formal trade missions are not effective, but they must be part of a larger international business strategy.

The Right Place plans international strategies based on a three- to five-year commitment and investment. This allows enough time to develop business relationships and provides the greater possibility for success and ROI. Strategies are developed in collaboration with local and state partners to ensure that local business development efforts are linked to those larger initiatives.

Leading Countries by Foreign Direct Investment in the U.S. - 2011p



Successful international business development strategies are not built in a vacuum. The best strategies for success include internal and external stakeholders, locally-based international businesses, and other partner organizations with international expertise. When the organization first established its international strategy in the late 1980's, several business and community leaders were tapped to contribute to the vision and set a formal strategy. Local businesses that were already operating in both Asia and Europe were able to provide insight and localized business knowledge that were key to customizing a strategy specific for West Michigan.

When looking at the rest of the developed and developing countries in the world, determining "how" and "where" to begin can be a daunting effort. As a first step in building a strategy, conducting a thorough audit and analysis of both the community and the organization often provides focus and clarity. Using the results of a completed SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis, short and long-term goals can be established and target industries and geographies can be identified. However, a SWOT analysis is not a strategy. The results of the analysis should be shared with the stakeholder group. Further review and discussion provide a framework of a specific international business strategy and direction for the community and the organization.

When complete, a comprehensive strategy should identify the following:

1. Goals and Objectives,
2. Resources and Responsibilities,
3. Targeted Geographies /Regions,
4. Timeline for Strategy, and
5. Metrics for Success.

INTERNATIONAL MARKETING COMMUNICATION AND TACTICS

Effective marketing communication tools and tactics are critical to the success of any international business development effort, yet they are often overlooked. In today's world of instant access to information, businesses often engage organizations and communities through indirect marketing efforts before meeting anyone in person.

International businesses often visit community and organizational websites, travel to trade shows, and access other indirect channels of information before a phone call or meeting is ever scheduled. This means that websites, news articles, advertising, and other mass media channels are often the first impression for international prospects.

Three key principles guide The Right Place's efforts in developing international marketing communication tools:

1. Remain true to the community (positioning).
2. Speak the language (localization).
3. Know the market (insight).

Positioning – Remaining True to the Community

One of the worst marketing gaffes a community can make is to position it as something it is not. Every community has unique assets and advantages that may appeal to international prospects. By diluting or improperly positioning a community, a false sense of place is communicated to the prospect (and, inevitably will be discovered).

International business relationships are built on a high level of trust. Misrepresenting a community undermines trust and injects doubt into the relationship. The consequences of misrepresentation simply outweigh any benefit of attracting additional interested businesses.

For example, do not market or position a rural community as an urban setting, or vice versa. Although a town may be a "bedroom community" to a larger city, it is not the larger city. It is part of the larger region, with unique qualities to that specific town. Every community has unique assets that are highly marketable to the right audience. Discover those, and remain true to them.

About The Right Place, Inc.

Serving West Michigan since 1985, The Right Place, Inc. is West Michigan's leading non-profit economic development organization. The group's mission is to promote regional wealth creation and economic growth while strengthening the global competitiveness of area businesses and attracting new companies and talent to West Michigan.

Staffed by a team with more than 150 years of combined experience, the organization provides a single source of services, information, and support for companies that want to grow in West Michigan. Their work is evidenced by billions in new capital investment, and thousands of new and retained jobs in West Michigan. The Right Place plays a vital role in transforming West Michigan's economy and building a thriving global center for future business and innovation.

Established: 1985

Employees: 22

Primary Services: Business Development (Retention, Expansion, Attraction), Innovation, and Manufacturing Technical Services

Funding: Private 45%, Public 55%

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Localization – Speak the Language

Localization does not mean translation. To translate is to simply convert information from one language to another, regardless of context, meaning, or applicability. Localization is the ability to understand the region's culture, dialects, nuances, and other unique aspects and transfer that into meaningful materials and marketing communications. Effective localization demonstrates an economic development organization's understanding of the prospective region and can often separate it from the plethora of competing communities.

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Unfortunately, there are countless negative examples of marketing localization gone bad scattered throughout the web. Some localization efforts are more simple than others, like the use of weights and measures (metric vs. imperial) and colors (in China, the color red is associated with good luck and celebrations, in Russia it is associated with Bolsheviks and Communism, and in South Africa it is the color of mourning). Others can be more difficult, such as modifying phrases and references to things with only an American or Western context.

Regional Insight – Know the Market

Having a true understanding of a target region's business and political environment is another critical aspect of international business development. This is even more applicable in today's global economic environment of economically distressed countries and rapidly-changing international business and trade policies.

The Right Place regularly tracks international news of prospective countries and regions for this very reason. Local and regional news sources within target international countries can provide a wealth of information on the current business and policy environment.

Just as in the United States, attempting to conduct business development relationships in a foreign country during governmental election cycles or social/political movements can be very risky. These environmental changes create instability and businesses (local or international) do not like instability. Attempting to convince an international business to invest in the local community is made exponentially more difficult during these times. Instead, use these opportunities to further build relationships by providing support and assistance through local community resources (i.e. leveraging local, international law and accounting firms to provide consulting assistance at no cost).

From left to right: Franz Reiner, Chief Executive Officer, Mercedes-Benz Bank AG; Dr. Henning Oeltjenbruns, Plant Manager, Detroit Diesel Corporation; and Michigan Governor Rick Snyder during a private reception in Germany.

Related to election cycles, it is equally important to remain abreast of policy issues within the target region. For example, conducting an alternative energy trade mission to a country that is currently debating its own policies on alternative energy can demonstrate a lack of understanding and hurt the business relationship.

DEVELOPMENT TACTICS

The following section is not a comprehensive grouping of possible ways to tactically engage in international business development. Instead, these are basic tactics that should be incorporated in any international strategy and used as a springboard to develop unique tactics that apply to an individual community.

Trade Shows and Conventions

Attending and participating in international trade shows and conventions can be a valuable way of building new relationships as well as maintaining existing relationships. At a base-level, it demonstrates that a community is aware of such business events and has made the commitment to attend and engage. Attending a trade show without the burden and management of exhibiting at the exposition often provides greater flexibility to get out into the event and engage with exhibiting businesses. Often, exhibitions provide a "flavor" of the specific industry, and also provide a sense of general size of the industry, complexity of the industry, and where companies tend to be concentrated. Once relationships in the region are established, investing in the cost and management of exhibiting at the show makes more sense.

Strategies for attending international trade shows are often very similar to attending domestic events. Many of the same recommendations apply: plan meetings in advance, review the exhibitor list before the event, have a plan "B" in case of meeting cancellations, and avoid bringing stacks of marketing collateral.

Matchmaking Events

Hosting supply chain matchmaking events for international business prospects often provides a double-win for the community. The events allow the prospect to meet with several companies in a condensed, organized format, and they enable the prospective company to experience the local community during its visit.

The Right Place has hosted several matchmaking events in West Michigan for both locally-based, foreign-owned companies and international prospects exploring the idea of doing business in West Michigan. The organization's business development team works with the company to identify possible local supply chain opportunities and schedule private one-on-one meetings between the local supply chain company and the international business. When necessary, representatives from the organization participate in the actual meetings, providing facilitation services and relationship management expertise.

For example, in 2010 the organization hosted a major international wind energy manufacturer in West Michigan for several days. In addition to regional tours and strategic meetings, it hosted private one-on-one meetings between the prospect and 20 local West Michigan companies regarding supply chain opportunities. The companies met directly with the prospect and explained their unique capabilities. In turn, the prospect was able to meet with over 20 prequalified, local companies in one trip. A win-win for both the prospect and West Michigan.

Today, West Michigan has one of the highest export ratings in the country, thanks in part to the work of these matchmaking events. According to a recent Brookings Institute report, ExportNation 2012, the Grand Rapids-Wyoming Metropolitan Statistical Area benefited from over $5.4 billion in exports in 2010. Additionally, the growth rate from 2009-2010 was calculated at 16.1 percent, ranking 4th among the nation's top 100 metro areas.

Trade Missions

As mentioned previously, trade missions, as part of an overall international strategy, can be very effective. Frequently, community trade missions involve key leaders from the local community, region, and perhaps the state. Trade missions, unlike individual business development trips, often require an increased level of management and coordination, as multiple professionals on the trade mission may be meeting with multiple companies in different locations. Trade missions, for that reason, can be extremely valuable in generating the greatest impact for the investment.

Often, trade missions also involve local and state dignitaries, including elected community mayors and state representatives. Leveraging these relationships and positions can be effective in gaining meetings with higher level business executives and government contacts in a target region. Planning trade missions that include high level dignitaries often require advanced planning and several levels of bureaucratic approvals during the planning process.

The Right Place has managed and coordinated many formal trade missions for the West Michigan region and the state of Michigan. As part of a larger international business development strategy, these missions have proven to be a valuable asset in driving international business trade and foreign direct investment. From initial strategy planning sessions to final travel itineraries and prospect meeting schedule, the organization acts as the central planning and coordination group. When working with large groups and many different agencies, designating a central planning group is critical to maintaining momentum and focus.

Using Intermediaries

When first developing international business development efforts, utilizing and leveraging existing business relationships can be extremely valuable. If there are very few or no local international business relationships in the community, engaging in intermediaries may increase the likelihood of international success.

Business development intermediaries can be anyone from a local consultant with an international business development focus, to foreign industry associations and international site consultants. Although these organizations come at a price, the cost of inefficiency and lack of results in unreturned calls, emails, and invitations can be higher.

Local businesses and resources within the community can also be successfully used as intermediaries. Community businesses like large commercial real estate brokers, international banks, accounting firms with international exposure, and other internationally-based companies can be great assets when entering a new market abroad.

The Right Place continues to utilize the services and support of international business development consultants and industry associations. The organization utilizes several manufacturing and engineering associations in Europe that provide a wealth of information and industry news, including upcoming events and industry trends, such as the European Automobile Manufacturers' Association (ACEA), German Association of the Automotive Industry (VDA), and the Fraunfofer Institute. These golden nuggets of information are important tools to implement in developing international relationships.

AVOIDING THE POTHOLES ("WHAT NOT TO DO")

Thinking Short-Term

International business development is not a short-term venture. Developing successful, trusted international business relationships that lead to trade and investment take years. When developing an international business strategy, it is critical to consistently inform and remind key stakeholders and participants that it is a long-term strategy requiring a long-term view of success. Organizations must ask the difficult question, "Are our community stakeholders and supporters ready for this type of long-term investment?" However, not all aspects of an international business strategy must take the long view of success. A successful, comprehensive strategy balances long-term goals with short-term wins, such as new business relationships, small supply chain contracts, and local visits from international prospects.

Furthermore, international business strategies that focus solely on the long-term will eventually lose support and interest of the community and stakeholders. Inversely, focusing solely on short-term wins may force organizations to produce quick, small successes that do not benefit the long-term growth of the local economy and increase frustration within the community.

Bringing the Entire Business Community

International business development efforts tend to attract the interest of many organizations in a community; from local municipalities and elected officials, to state economic development agencies and internationally-based manufacturers with several thousand employees in the region. Although nearly all of these parties have value to contribute to the process and strategy, when conducting trade missions and international business meetings abroad, travelling with large delegations of seemingly disparate resources increases the complexity and risk of success exponentially.

Well planned trade missions take advantage of every waking hour of the day (and some non-waking). From private meetings and company tours, to hosted dinners and receptions, successful trade missions are very tightly scheduled with little room to manage late arriving parties, various travel schedules, and differing individual goals.

Taking the point of view of the prospective international company, arriving at a business meeting with 15-20 local colleagues and stakeholders can be overwhelming and uncomfortable for the prospect. Depending on the individual country or region, this approach may also be offensive to the business and interpreted as overpowering or an intimidation tactic.

Additionally, the logistics and management of travelling with and moving such a large group of business professionals can be extremely difficult. Well planned trade missions take advantage of every waking hour of the day (and some non-waking). From private meetings and company tours, to hosted dinners and receptions, successful trade missions are very tightly scheduled with little room to manage late arriving parties, various travel schedules, and differing individual goals.

Instead, selecting a small group of five to eight individuals that represent broad areas of a community can have a much more effective result. As an example, an effective trade mission group may be comprised of one individual from the following areas:

- Local economic development,
- State economic development,
- Finance and funding,
- Commercial real estate,
- Corporate law and/or legal consultation,
- High-ranking local elected official,
- High-ranking state elected official, and
- Large, successful business owner representing a specific industry (manufacturing, alternative energy, life sciences, etc.).

Arriving Unannounced

Just as other business leaders in a community are respectful of each other's time, so should a community be respectful of an international prospect's time. Arriving unannounced to an international company to meet with a company executive can often create unneeded tension at the start of the relationship. It doesn't matter how far an organization or delegation has travelled to a country or region. Just as it is often interpreted in the U.S., dropping in unannounced to an international prospect can be perceived as being unorganized or disrespectful of the company's time.

Culturally, all countries and regions have social and business codes of conduct – many involving planning, preparing, and presentation. Breaking these codes demonstrates a lack of understanding, and disrespect for, the culture and business practices. When travelling abroad with dignitaries and other executive business leaders, many prospective companies request to see the list of those attending prior to the meeting. The company then has an opportunity to assemble a similarly-structured list to participate on behalf of the company.

Ideally, each prospect meeting should be made several weeks in advance of the trip. This allows the company time to prepare for the meeting, creating a more engaging, productive environment for both sides. This situation often comes into play with resorting to "Plan B" in international business travel. This is addressed later in the article.

Assuming Everyone Understands American Culture

Although English is considered the international language of business, assuming that everyone in the business world understands American culture is a recipe for disaster. This statement may conjure images of parodied brash American businesspeople lumbering their way through countries and regions like bulls in a china shop. However, beyond obvious cultural differences, many countries and cultures have very different accepted ways of conducting business meetings, interactions, and commerce.

From the level of acceptable assertiveness in prospect meetings, to understanding and respecting levels of authority within an individual company, not acknowledging and respecting these cultural differences can damage international relations and business opportunities.

Taking the time to perform a self-examination of individual cultural tendencies is one of the easiest ways to avoid cultural mistakes. Identifying and understanding when and where these tendencies appear will help in avoiding them when conducting business internationally. There are many resources on the Web today that provide assistance with understanding foreign cultures. Additionally, as stated before, engaging an international business consultant can further assist in this effort.

Assuming an Understanding of Other Cultures

When developing international business relationships, understanding the cultural differences of the country or region is critical to building successful relations. (Hint: two years of high-school French class does not count as having an understanding of modern French business culture.)

Taking the time to understand a country's business culture and codes of conduct demonstrates a thorough understanding of the country and a willingness to adapt to cultural needs. Engaging an international business consultant is often the most direct and efficient method of gaining a greater understanding of a specific culture. However, if utilizing a consultant is not feasible, working with local companies with international experience in a specific country or region can provide valuable insight.

Expecting a "Deal" or Agreement on the First Trip

As mentioned throughout this article, international business development is a long-term investment requiring months and years of engagement, information, and trust building. Setting a goal that the first trade mission or business trip will result in a "deal" or agreement may place a false set of expectations on an international business strategy. Placing unneeded pressure on international business relationships can potentially come across in communication and business meetings, leading to increased strain on the business relationship. Setting expectations and goals during the initial strategy planning phases establishes a clear vision for expected results.

LESSONS LEARNED

Over its 25 years of international development experience, The Right Place business development team has experienced numerous lessons learned that, today, are now part of the process of the organization's international business development strategy. Unlike potholes to avoid, these tips provide insights for making the most out of an international business strategy.

Have a "Plan B"

Sometimes, the best laid plans and schedules run awry. Meetings are cancelled, prospects request time changes, and various modes of transportation are delayed. When these situations occur thousands of miles from the office, having a "Plan B" or contingency plan can mean the difference between a recoverable, somewhat productive day and a lost day filled with nonproductive downtime.

A contingency plan can be as simple as a "B" list of customers and prospects that can be contacted in case of an opening, or as complex as a separate complete itinerary that can be switched in the case of cancellations or requests for schedule changes. Additionally, recent technological advances in customer relationship management (CRM) software provide some relief. Some of today's CRM solutions provide mapping tools that will search customer/prospect data and present a list of companies that are "near you."

Have an In-Country Connection

Having an in-country business connection can be an invaluable tool in opening doors in countries and cultures that are difficult to crack. It can be very difficult to develop new relationships in many regions like Eastern Europe and the Middle East without the assistance of an in-country connection or intermediary. A well-versed in-country connection, one that has a strong understanding of the local business community and/or has links back to the community, can be incredibly valuable.

If Government Is Involved … Plan Early

When planning and/or managing official international trade missions that include local or state government officials, begin the process as early as possible. If high-level officials (such as a governor, member of congress, or other international dignitary) need to participate, add additional planning and travel time for security reasons. Many times, the official's security and advance planning detail reviews the travel itinerary and plans before approving the trade mission.

Official international trade missions also tend to be very public affairs, filled with media interviews and receptions. Although events like these can be valuable in creating awareness and building international governmental relations, they often have few opportunities for business and trade discussions. Thus, additional time may need to be added to allow for these public matters.

Overcrowded Schedules

Dealing with an overcrowded schedule and having a "Plan B" are two sides of the same coin. The key is to not over book or under book meetings and events. A travel schedule that is too ambitious and tightly planned adversely affects the trade mission. Arriving at meetings without enough time to prepare reflects poorly on a community. Allowing enough time to prepare for meetings and catch some much needed rest when available can have a dramatic impact on the overall success of a trade mission.

If conducting business internationally has taught The Right Place anything, it has taught the organization to be prepared to answer anything about the local community. Meetings to discuss intricate supply chain manufacturing issues and opportunities may quickly turn into questions on expanding in a local community through foreign direct investment.

Trade Shows and Conventions

International trade shows and conventions can be great venues to establish new business relationships and follow-up on existing relationships. However, avoid conducting in-depth business development topics such as negotiating contracts or review expansion/relocation projects during these events. Being respectful of the exhibiting company, the business is primarily there to introduce new products and build customer relationships of its own.

Although both parties may be planning to attend the trade show, it is recommended that a meeting time be established prior to the event. In this way, there is a higher likelihood of meeting with the necessary business representatives at a pre-established time.

Be Prepared to Answer Anything

If conducting business internationally has taught The Right Place anything, it has taught the organization to be prepared to answer anything about the local community. Meetings to discuss intricate supply chain manufacturing issues and opportunities may quickly turn into questions on expanding in a local community through foreign direct investment.

In addition to business questions, be prepared for social questions as well. Anything from major league sports to political scandals are fair game in the international courtship process. Often, international businesses are just as curious about U.S. business and society as we are about their business and society. However, if a prospect asks a question that someone cannot answer immediately, do not make one up. Ensure the prospect that someone from the team will respond and follow up at a later time.

IN SUMMARY

Nearly every community in the U.S. can benefit from expanding internationally. And, as this article has detailed, there is no "cookie-cutter" approach to developing an international business development strategy. However, being true to the community's assets and building a long-term strategy that fits the community is a recipe for success.

Most importantly, international business development is an iterative process. Taking a step-by-step approach to international business is a model for success that can continue to be built upon for decades. The international business and trade climate in West Michigan was not developed overnight. It required the investment, collaboration, and support of the region's community and business leaders for over 25 years. The opportunities are there and it is the responsibility of the economic development organization to set a direction and strategy to find them.

form-based codes

By Kaizer Rangwala, AICP, CEcD, CNU-A

Development is vital to the practice of economic development. Development can attract and retain jobs, increase sales and property tax receipts, eliminate blight, and enhance tourism. Typically, the public sector develops a vision, develops efficient regulations to implement the vision, and provides infrastructure; the private sector carries out development. Economic developers fill funding gaps and try to facilitate a smooth development review process. Form-based codes (FBCs) can play a vital role in helping economic developers accomplish their goals.

This article focuses on form-based codes, which are place-based development regulations that foster a place-based economy. The primary focus of these codes is on the design of the spaces outside and between the buildings to create an authentic and desirable public realm, which attracts and retains businesses, young talent, and retiring boomers looking for places that offer emotional attachment. FBCs also offer clear and precise standards that produce predictable outcomes through a streamlined and predictable development review process, which is a significant incentive to attract new investment.

Form-based codes provide a participatory, bottom-up regulatory process where the local businesses and residents create a collective unique vision and adopt purposeful codes that ensure implementation of the vision. FBCs' local focus also responds to the larger challenges of energy and global warming crises. Unlike financial incentives, a unique place has a distinctive advantage that cannot be copied by competitors.

DEVELOPMENT REGULATIONS

Development regulations shape the places where we live and work. These regulations encourage good development that will add value to people's lives and discourage bad development that will impair their quality of life. Despite the many wonderful visions and policies developed by municipalities, the quality is lacking in many places shaped by recent development. Development regulations, a key tool in achieving long term visions and policies, allow us to use individual development projects to create the places we want.

In the last century, we abandoned the age old tools of building memorable places and traded them for arcane, vague, and ineffective codes. The art of place-making was traded for the science of separating uses and controlling the amount of development so the individual impacts of development could be measured and mitigated. The primary focus of development regulations has become separating the activities of daily life into zones and limiting the quantity of development. These regulations have a very indirect relationship to the physical form of the building, streets, and open space.

Vague development regulations, such as 15 feet minimum setback for buildings, can result in a building placed at 15 feet or 150 feet away from the sidewalk. A floor area ratio (FAR) of one (1) can result in a one-story rowhouse or eight-story apartment building, as long as the building's total square

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ECONOMIC BENEFITS OF PLACE-BASED REGULATIONS

Municipal budgetary woes have increased the urgency to streamline development processes and make "the good" easy to build – to find a way to do more with less. The original meaning of the word "permit," that is "to allow," seems lost under the burden of regulations and processes with no end in sight. There is a pressing need for streamlined administrative processes and development regulations that emphasize creating great and lasting places, which attract and retain prosperity within the community. Form-based codes (FBCs) are clear and predictable place-based development regulations and processes that can save significant time and money. Economic developers can offer FBCs as an incentive to attract new investments and produce great places by making "the good" easy to build.

footage is the same as the lot's square footage. This unpredictable outcome has disillusioned much of the public towards any and all development. The regulations have destroyed traditional walkable and diverse downtowns and allowed sprawl to consume farms and other open spaces.

Conventional zoning focuses on what you cannot do. There is often little guidance on how to create the place called out in the community vision. When standards are ineffective, distrusted, and their results disliked, everything becomes heavily negotiated, resulting in an unpredictable process and its outcomes. Some places that have tried to cope with this problem by creating design guidelines have been criticized as being arbitrary or dictatorial.

FORM-BASED CODES

Form-based codes (FBCs) are a viable alternative to zoning regulations. FBCs are purposeful place-based regulations with an increased focus on the design of the public realm: the public space defined by the exterior of buildings and the surrounding streets and open space. They can be used to protect and preserve stable areas from incompatible development and to attract appropriate (re)development to transform areas at risk.

FBCs foster predictable built results and a high-quality public realm by using physical form (rather than separation of uses) as their organizing principle. These codes are adopted into city or county law as regulations, not mere guidelines. FBCs are an alternative to conventional zoning.

– Definition by Form-Based Codes Institute

Viable FBCs must be based on a community-generated vision. The vision and code are developed under an open, transparent, and participatory public process. A discovery process allows anyone to raise an issue. The urban design team works iteratively with the community to address these issues.

The vision is not abstract text and numbers but is physical and describable. The vision is also integrated in that all aspects of city building – urban design, landscaping, architecture, public safety, and engineering – work together to create a specific place. Hence it is possible to analyze the vision from all points of view. It is also

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possible to cost the vision to understand how it might be implemented through public and private sector investments. In this way, the vision and the code become an economic development strategy for the community.

A critical difference between conventional use-based codes and FBCs is that FBCs do not determine permitted square footage entitlements through FAR. FARs encourage a developer to max-out the lot's development capacity. The conventional density controls have failed to produce diversity in living and working arrangements. Instead, FBCs deal with building types that differ in intensities of development.

Building types is a classification system resulting from the process of creation, selection, and transformation of a few basic character defining features of a building that when repeated, produce predictable results. The building types system encourages a much more diverse stock of buildings that can gracefully accommodate higher intensity of development in a contextual manner and produce great places. The diverse building types also offer a variety of local affordable housing options for all incomes and ages. Human scaled building types when consistently aligned with similar or compatible building types create a harmonious and pedestrian-friendly streetscape.

Typically, FBCs include easy to understand drawings, diagrams, and photographs. The key to a FBC is a regulating plan, which specifies the intensity of development and character of a place. Urban Standards define the relationship between the private and public realm established by setback, height, parking location, and allowed building and frontage types and uses. Frontage type

CONVENTIONAL ZONING	FORM-BASED CODES
The zoning designations are placeholders, seldom tied to a specific community vision. Each subsequent revision to the zoning standards makes the ordinance more complex and abstract, pushing it further from the community's vision. Zoning is proscriptive – it prohibits development not consistent with zoning.	FBCs are based on a community-generated physical vision that is also the economic development strategy for the community. The prescriptive code outlines what is expected of development. FBCs are integrative: all dimensions of urban design, public safety, open space, landscape, building, and infrastructure work together.
Controls land use to a higher level of specificity.	Sets broad parameters for permissible uses and lets the market dynamics establish the best use for the site.
Outcome difficult to predict as the project may be subject to discretionary review.	FBCs are developed with broad based public input. The requirements are spelled out in a clear, concise, and easy-to-follow manner. The discretionary review is minimized or eliminated and the outcome becomes predictable.

defines how the building's face interacts with the street. The building type simplifies complex form defining features into standards that are easy to understand and implement. Street sections specify mobility and pedestrian comfort details.

The sole purpose of the development review process is to achieve the vision. If the development standards are not defined to facilitate a community driven vision, then the standards are open to different interpretations by each and every person that comes across the standards. The efficacy of the process is undermined to a point where the end is no longer driving the process. In contrast, FBCs clearly and precisely define the standards within a participatory framework, which minimizes discretionary review and increases the predictability of the process and outcome. A good code balances predictability and flexibility. Carefully modulated allowances for deviations encourage creativity and provide flexibility.

Components of Westview Village Form-Based Code, Ventura, CA

METHODS OF DEPLOYING FORM-BASED CODES

Depending on local politics and resources, FBCs can be deployed in three different formats within the existing regulatory framework:

1. Mandatory Codes: Mandatory codes are the most commonly preferred format. The codes are binding and not optional. In this case, the FBC replaces the conventional zoning code for a specific portion of a community. The code can be free-standing or integrated into the existing conventional zoning code framework.

The freestanding FBCs can be distinct in format and allow more freedom to create a user-friendly code. In California, Specific Plans allow policies, development regulations, capital improvements, and resources to finance public improvements for a defined area to be all identified within a single free-standing document. As the codes are binding, there is a greater chance of achieving the overall vision for the area.

Example: In Ventura, California, limited resources, and development and political pressures redirected the coding efforts from citywide to infill areas. Over the past five years, the city has adopted seven FBCs for the downtown area, commercial corridors, hospital district, and new neighborhoods on the city's east side. The FBCs are spliced into the existing zoning as stand-alone chapters, and new streamlined development review provisions are added.

2. Optional (parallel) Codes: This parallel system of coding retains all the existing zoning designations and development standards, and offers another set of form-based standards for a specific geographic area. Compliance with new form-based codes is voluntary, often available with incentives to encourage their use. The parallel code can be accessed without any rezoning or any discretionary review. Politically, optional codes are easier to adopt as they preserve existing development rights and offer an additional choice.

By offering optional standards, the code encourages the gradual transformation of these areas over time into an urban form more consistent with the overall vision. In doing so, the code protects the rights of the affected properties to be maintained according to the development standards under which they were built, without being deemed nonconforming.

Example: Columbia Pike, a 3.5-mile corridor across the Potomac River from downtown Washington, DC, had seen little development in the past 30 years. Arlington County, VA, initiated a revitalization effort to attract economic development to the corridor by creating an optional (parallel) form-based code. This code leaves all the underlying zoning in place but includes incentives, such as expedited review and approvals, to encourage the use of parallel FBCs.

3. Floating-zone Codes: This format can be used when landowners are unreceptive to any regulations because the parcel is not currently ripe for development but may be developed in the near future. Floating codes are not assigned to specific parcels. The regulations are floated and only stick when a landowner is ready for development and needs rezoning. The floating code requires a regulating plan and offers standards for preparing this plan.

Like parallel codes, floating codes are politically easier to adopt because the existing development rights are not

Photograph courtesy of Alexander Iams.

Penrose Square development on Columbia Pike Corridor, Arlington, VA – an example of new development along the corridor entitled within a FBC framework.

changed, hence non-conforming lots, buildings, or uses are avoided. The floating zone codes are triggered by a property owner.

Example: In response to growth pressures, North St. Lucie County, FL, prepared a "Towns, Villages and Countryside" plan for a 28-square-mile agricultural area. The plan calls for existing development rights to be concentrated in new villages surrounded by farmland. The county adopted a floating form-based code to implement this plan.

PLACE-MAKING WITH FBCS

The greatest advantage of FBCs is that they produce predictable outcomes. The FBCs are prescriptive and not proscriptive. Instead of focusing on what you cannot do, they simply state what is desired in the vision. For example, instead of a minimum setback of 15 feet, the codes prescribe a defined build-to line where all buildings must be located or a range such as five to 15 feet within which the building must be located.

The specific place described in the visioning documents is much more likely to be accomplished with an FBC than with any other type of regulation. The focus of FBCs is to control those elements that shape the public realm. The FBCs offer greater flexibility in the private realm – for example, the land uses are regulated broadly and can be tailored to respond to market changes.

Preserving an area's distinctiveness requires that new buildings are rooted in and evolve from the traditional adaptations to local history, climate, materials, and landscape. The one-style fits all doctrine of international style, or the glass towers that look identical in Anchorage, Austin, or Ahmadabad, fail to create great places and are not sustainable. The infusion of fossil fuel energy has allowed the climate of the building to be controlled, resulting in look alike, placeless architecture that is not grounded in the local place. Every locality has different building materials that are available for different climates, resulting in a distinctive architecture.

FBCs link the form, function, and material to the natural environment, reducing energy consumption while creating or preserving a sense of place. A well designed building can be adapted and re-used. Land uses are not ignored but regulated by broad parameters that better respond to market economics and allow for a mix of uses serving daily needs within easy walking distances. FBCs are flexible in order to respond to market dynamics.

FBCS AS AN ECONOMIC DEVELOPMENT TOOL

The emerging young and talented labor force and retiring boomers prefer the vitality of compact, connected, and complete cities over the sterile environments of business parks, shopping centers, and residential subdivisions. Changing unhealthy suburban patterns and behaviors, and restoring urban areas offer an unprecedented opportunity for a restorative and green economy.

The synergy of smart growth and a focus on the local, restorative, and green economy create memorable and lasting places. These places allow communities to retain and attract talent and reduce energy consumption and greenhouse gases. An economy based on creation of place is local, participatory, sustainable, and enduring. Economic development is about selling places, and the higher quality the place, the stronger the product is in a very competitive marketplace.

Conventional zoning codes present a clear barrier to protecting and creating distinctive places, as these codes often prohibit the construction of mixed-use, pedestrian friendly places. Alternatively, FBCs offer clear and precise place-based standards together with a streamlined development review process. An authentic civic engagement and education process raises public awareness. The coding process frames and analyzes alternatives, incorporates public ideas, and addresses concerns early on in the process, making it easier for smart growth projects to gain approval.

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Typically, developers borrow money to pursue pre-construction work. For developers, time is money. The biggest incentive that cities can offer is not money, but clear and predictable development regulations and a timely review process. Most developers are willing to build to higher standards if the rules are clear and guarantee a streamlined approval process. Predictable outcomes and a streamlined process with greatly reduced discretionary review are business-friendly attributes of this coding method.

While demand is held back by archaic and unworkable zoning requirements, investment and development under FBCs have been extensive and rapid – and usually highly regarded by community members. Columbia Pike, in Arlington, Virginia, is such an example. By 2040, the Columbia Pike vision and FBC would allow an additional 2.2 million square feet of commercial development, 7,000 jobs, and 3,900 dwelling units.[1] Since adopting the FBC a decade ago, the Pike has already added almost 1,000 dwelling units and 200,000 square feet of commercial space, and several projects are approved and in various stages of the entitlement process.

Photograph courtesy of Alexander Iams.

The Halstead development on Columbia Pike Corridor, entitled within a FBC framework.

In the current economic downturn, communities that have implemented FBCs in areas like Ventura, CA; Miami, FL; and Arlington County, VA, have held or even increased their value. While communities with sprawling development that separates land uses, promotes wide streets, low density, and extensive parking have decreased in value.

"As a developer you can really get a handle on the economic viability of your project early on in the process because you know what you can and cannot do and this is also a big benefit to the land owner. Land owners can get comfortable with land value expectations because there should be very little surprises under the Form Based Code," says Dan Lockard, president of the Board of Directors for the Columbia Pike Revitalization Organization and a principal with ARA National Land Services, responsible for over $400 million in new development along the Columbia Pike.

"FBCs create an inherent master developer environment that links catalytic projects across multiple ownerships to drive economic development," says Scott Polikov of Gateway Planning Group. Within the framework of a unifying master plan and form-based code, incremental development over a period of time benefits everybody. By offering a predictable environment, FBCs reduce risks and banks are more willing to loan construction money.

FBCS AND SUSTAINABILITY (ENERGY, CLIMATE, AND HEALTH)

Growing well is a choice that affects our economy, quality of place, health, and the air we breathe. Before conventional zoning and resulting sprawl patterns became widespread, daily activities of work, school, and shopping were conducted to and from home by foot or mass transit. Traditional urban forms within compact, diverse, and connected communities encourage walking, biking, and transit use – reducing trips and air pollution. Recent studies have shown that compact development has the potential to reduce vehicle miles travelled (VMT) by 20 to 40 percent and CO2 emissions by 7 to 10 percent.[2] People who live in walkable communities are also more physically active and healthy.

The individual choices that local governments make when adopting long-term growth policies impact public health, community air quality, and global climate. Government investments in transportation and public improvements; decisions about the development pattern affecting where people live, work, and how far they travel; and whether they drive or ride with others, have a direct positive – or negative – result. Zoning and subdivision ordinances that separate land uses, promote wide streets, create lots of parking, and encourage low density, need to be reexamined in light of their contributions to VMT and greenhouse gases.

The form-based approach to development coding ties together the region's long term policies and transportation investments with clear, precise, and streamlined development regulations. The codes are drafted to achieve a community vision based on time-tested forms of urbanism, making the connections among land use, transportation, and air quality. While more flexible than conventional zoning in many ways, these codes can require compact, diverse, and connected community design and development.

Over the next 30 years, urbanism in Central Hercules, CA, will reduce daily VMT by 25 miles, saving consumers nearly half a billion dollars in gasoline.[3] Peter Calthorpe, in *Urbanism in the Age of Climate Change*, compares a 30 percent energy savings from a green home in sprawl, to a townhome in a village that will conserve 58 percent less energy, and a condo in the city that will have 73 percent energy savings. "Traditional urbanism, even without green technology, is better than green sprawl," says Calthorpe.[4]

Given good information and a choice, most communities embrace sustainable design. Such design will decrease VMT and CO2 emissions and promote physical activity and good health, while saving resources and creating lasting prosperity for individuals and the community.

CONCLUSION

Communities simply don't have the money to offer businesses as an incentive to locate within their jurisdictions, and given the need for that money to be spent on many other community necessities, many question the efficacy of such cash incentives. Instead of creating desirable places, complex development regulations encourage abuse by shrewd people that find loopholes to abuse the law with impunity. Providing clear standards, a streamlined development process, and predictable outcomes that create a vibrant quality of place are the greatest incentives any community can provide to naturally attract and retain capital investment, businesses, jobs, and skilled people.

Form-based codes provide a participatory, bottom-up regulatory process where the local businesses and residents create a collective unique vision and adopt purposeful codes that ensure implementation of the vision. FBCs' local focus also responds to the larger challenges of energy and global warming crises. Unlike financial incentives, a unique place has a distinctive advantage that cannot be copied by competitors.

Do your development codes make "the good" easy to build? It is time to return to the original meaning of "permit," and make it easy to create development that adds lasting value to the community.

ENDNOTES

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2 Reid Ewing, Keith Bartholomew, Steve Winkelman, Jerry Walters, and Don Chen, "Growing Cooler: The Evidence on Urban Development and Climate Change," Urban Land Institute, April 2008.

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building a community
BRAND

By William C. Smith, D.B.A. and Robert Ingram, PCED

a brand gives a product, place, service, or idea an identity. It is usually defined as a name (Coca-Cola, New York City) and/or a logo which has the ability to stand alone and enable people to easily identify your product (Nike's swoosh). The whole purpose of a brand is to make it easier for consumers to distinguish, then make purchase decisions among what different businesses are offering for sale. When creating a brand, marketers teach consumers what to expect (Verizon has better coverage) and which elements offer meaningful differences (Sears' Craftsman hand tools have a life-time warranty). A strong brand with a relevant identity to particular customers enhances the business' ability to attract customers and earn a profit.

As in business, the community's brand is the sum total of a customer's direct experience with the residents and the community, and the indirect experience gained from what the customer hears from trusted sources. With this in mind, community brands must be managed and valuable lessons are available from the business world.

THE VALUE AND POWER OF A BRAND

Brands can be powerful, and good brand management generates significant returns to a business or a community. Bad management of a brand does the opposite. Following are some business examples of both results.

In 2005, Proctor & Gamble bought Gillette for $57 billion. Gillette's plants, buildings, and other assets were not worth that much. In addition to physical assets, P&G was buying the power of an established brand with a highly-satisfied customer base.

Photo Courtesy of Madison County Economic Development Alliance

There is no such thing as a minor detail in the branding business. The Interstate exit (I-55), in Madison, MS, has a stone façade, rather than concrete, and is believed to be the only one of its kind in the U.S.

How much was a satisfied Gillette customer worth? According to the Business Week Global Brand valuation, which is published each year, in 2005 the Gillette brand name was worth $17.534 billion. Thus, approximately 31 percent of the firm's value was due to an intangible brand name and the customers who are loyal to the brand. If you investigate the value of well known brands, the amount above the company's book value, you will find the same percentage; approximately 33 percent of a company's market value is due to the strength of its brand name.

Snapple provides evidence of what happens from good and bad management of a brand. In 1993, Quaker Oats paid $1.7 billion for Snapple, outbidding Coca-Cola and others. In 1997, Quaker Oats sold Snapple for $300 million to Triarc – Quaker Oats' management lost $350 million in value each year it owned Snapple. The chairman and president of Quaker Oats both lost their jobs and Quaker Oats in turn became a subsidiary of PepsiCo. In 2000, Triarc sold Snapple to Cadbury Schweppes for about $1 billion – the brand gained

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THE BASICS

A community's brand must be well managed. This article covers what is a brand from the customer's point of view and what are the basic elements of building a brand: from who to target, with what message, establishing your order of priorities, and a few keys to budgeting and measurement. These first steps, which flow from understanding the people you want to influence, will provide any economic development professional with the initial tools needed to identify their community's unique advantage and the best alternative to achieving the community brand they desire.

Photos from CrystalGraphics Photos

Many people are involved in determining the experience the customer has when interacting with the community. Which one do you want answering your telephone? Customer interaction must be managed well at each touchpoint.

approximately $250 million in value each year under Triarc's management.

Another example of a negative outcome is provided by Daimler Benz which paid $36 billion for Chrysler in 1998. Nine years later (2007) Daimler Benz sold 80.1 percent of Chrysler for $7.4 billion. At that price, 100 percent of Chrysler was worth $9.24 billion, a significant loss in brand value. Daimler Benz brand management was losing almost $3 billion in value each year it owned Chrysler.

What's the lesson? Although the examples are related to physical products, the lesson is the same for any kind of brand; a brand's value depends upon what you do with it and how you manage it. This applies to a community brand as well. How is your community's brand being managed? When someone says your state/city/community's name, what comes next? If you ask enough people, it is easy to find out. One author's travels have identified these examples:

- Arizona – "the only part of California you can afford to live or do business in"
- Atlanta – "That city is growing and the traffic is…"
- Amish Community in Pennsylvania – "You have to slow down for the buggies"

Just as in business, a community's brand separates it from all the other places where a person can live, work, visit, explore, grow, have fun, etc. There is a difference though between managing a product brand and a community brand. A community brand is more difficult to manage.

Many people are involved in determining the experience the customer has when interacting with a community. Whereas a product brand can be sold in a retail outlet with poor customer service and still not get tainted from the bad experience; a community's brand can be tarnished just because one person was rude on the phone. That is one reason why a community's brand is so difficult to manage. Economic development professionals need the help of everyone who shares the vision of what makes their community/brand different. In most cases, they have to build this shared vision.

WHAT IS A BRAND TO A CUSTOMER?

Your brand is a promise you make to a customer. It is a pledge the customer anticipates the community will keep based on the community's reputation, the customer's direct personal experience, and the experience shared by others. As such, brands are built on trust and credibility. Therefore, provide what you promise – a quality product, service, and/or visitor experience. You can't be the "friendliest bank in town" if the tellers are not happy to see customers when they walk up or drive through.

Provide something that makes you unique. Businesses use slogans/taglines to help differentiate them. Nike had "Just Do It," which became more than a slogan; it became a clarion call for getting things accomplished – not just in athletics, but in business as well. Motel 6 has "We'll leave the light on for you."

Finding what makes your location distinct is not easy. There are thousands of location brand names across America. Too many leaders choose the well-trodden, easy path. For example, a Google search for "The Friendly City" yielded 543,000 hits. A search for "The Friendliest City in the U.S." resulted in 222,000 hits. Even given duplication, we have more than 100,000 friendliest cities in the U.S.? "A well kept secret" yields over 6 million hits and "A great place to live" had over 85 million hits.

There is absolutely nothing wrong with being friendly, a well kept secret, or a great place to live. Unfortunately, it isn't distinctive enough. Why do you have to be distinctive? Your customers make visiting, buying, and location decisions based on it.

When dealing with a well-known brand, one already knows the end result: the product and/or service are predictable. For instance, if you travel in an unfamiliar location and can choose between McDonald's and Burger Joint *(fictional name)*, almost everyone chooses McDonald's, even though Burger Joint may actually serve the best hamburger around. Most people faced with the uncertainty of the unknown brand won't take the risk; they choose certainty.

Your community brand is your story. It is a combination of all the stories told about you by the people who live, work, and play in your community.

For children's entertainment, you can take them to Disney World and they are almost certain to have a wonderful time. Or you can take them on an unforgettable trip to see the Grand Tetons and float down the Snake River, see Mount Rushmore, etc. with all the vagaries of car travel and unpredictable weather. Which will most people choose? Of course the Grand Tetons have a more difficult job. They are not as well known. They haven't created thousands of satisfied customers who have become vocal brand advocates. To grow, the less well known have to build a known, favorable brand.

Brands are built from the following components:

1. The positioning – The most controllable element of branding is how you want your customers to perceive the brand. Positioning is the promise one makes to a community's many constituents. It's the location's attributes, values, and customer benefits to which you wish to draw attention; the ones your customer will receive and/or experience. A marketer positions products, but eventually the customer's perspective takes over and determines exactly what your brand means. If someone decides to vacation in Paris and doesn't speak French, how will they be treated by the French locals? Even if you haven't gone to Paris, you have probably already developed an expectation. People make choices based upon their expectations and those expectations are influenced by a brand's identity.

2. The brand's identity – While it begins with the positioning statement and the key attributes, value, and benefits, the identity grows in positive and negative directions. The brand is, in actuality, taken over by one's own community members as well as by each visitor's perspective, primarily from their personal experience or the experience of "trusted" others. This is the "truth" of the brand, which may include perceptions as well as objective facts. As the Paris example demonstrates, people have perceptions even when they lack personal experience.

3. The image – This includes both positioning and identity, plus, more importantly with community brands, the stories economic development professionals and the people who "experience" the community share with others. Your community brand is your story. It is a combination of all the stories told about you by the people who live, work, and play in your community. This includes those who have visited – tourists, economic development professionals (practitioners and consultants), etc.; those whom you have contacted (customers and potential customers); and for most of us, the largest group, those who don't know anything at all about your community.

To build a brand, answer this question: "What are the stories being told about our community, today?" You need research to make decisions, but as we'll discuss later, at least in the beginning, this research doesn't have to be expensive.

When considering your community brand, there are three alternative approaches. The first two involve educating communication targets. The alternatives are:

1. Build your brand with the people who are unaware of your community. This approach calls for building wider awareness of your existence, and unless you have widespread buy-in already to your vision and ample resources, it calls for a targeted strategy. Marketers call this market segmentation – dividing the groups of potential customers into smaller groups based on similar characteristics, needs, or behavior. Within this smaller group, called a market segment, the individuals are similar and different from the other possible segments.

For example, the information a visitor needs about a community location is not the same as that needed by a business location consultant. You don't satisfy both needs with the same message. Each message has to be tailored to the needs of the targeted market segment. Targeting smaller segments enables a more cost effective and efficient approach to building awareness.

2. Change existing perceptions about your community – this is the most difficult option because people have already positioned the community in their thoughts. Changing perceptions requires money, time, and significant effort.

3. Reinforce existing perceptions about your brand/community – the simplest option, but depending on the frequency of use, can be expensive. Coca-Cola is the perennial number one brand in the world, yet it spends $418 million annually in the U.S. alone (2010) on measured media. In comparison, the Las Vegas Convention and Visitors Authority budgeted $86 million for the "What Happens Here" campaign during fiscal year 2010. Both brand campaigns are successful. The city achieves its objective with less money. This is because there are not that many competing locations with national advertising campaigns, and it is not in a transaction-intensive

Consistency is vital in community branding. Even the gas station in Madison, MS, has architecture similar to other retail businesses.

business like soft drinks, credit cards, or cell phones, where continual advertising is the norm. Therefore, Las Vegas can have more impact with a smaller budget.

While branding can be expensive, resources do not determine success. Although resources have an impact on how fast one can go, they do not limit the ability to succeed. A community needs a good strategy to implement, energized people who share the vision, and the persistence to see the plan through.

A BRAND BUILDING STRATEGY

In order to effectively and efficiently build a brand, marry goal(s), strategy, implementation, and resources. The words of IBM's Thomas Watson, Jr. come to mind:

> "In the history of IBM, technological innovation often wasn't the thing that made us successful… technology turned out to be less important than sales and distribution methods… We consistently outsold people who had better technology **because we knew how to put the story before the customer, how to install the machines successfully, and how to hang on to customers once we had them."** (Emphasis added) (Thomas J. Watson, Jr. and Peter Petre, *Father, Son, & Co.: My Life at IBM and Beyond*, (New York: Bantam, 1990), page 242.)

Good brand management is about understanding the people you want to influence well enough to send the right message to the right customer, fulfilling the brand's promise, and turning each customer into an advocate for the brand.

ANSWERING THE WHO AND WHAT QUESTIONS

The most important decision is "who" to target the branding efforts toward. As stated earlier, marketers call this segmenting the market. The initial segmentation focuses on dividing the primary markets into just two large segments – those within a community and those outside. From there, develop smaller segments based upon different target types – elected officials, the business community, non-governmental organizations, etc. Trying to use a one-size fits all approach is appealing on a cost basis but just doesn't work. Good segmentation plus targeting the message ensures the strategy has a chance to impact how people think, feel, and especially, how they talk about a community.

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After grouping together like-minded individuals and organization leaders, answer the "what" question – specifically, what do the people in this segment know now and what do they need to know for the community to achieve its objective? The best way to answer this question is through good market research. If the funds are not available to pay for such research, talk to customers face-to-face. Look for patterns, not what you want/expect to hear. The job at this juncture is to ask questions, listen, and record your findings.

Community and economic development leaders need to know and understand how the people that work, play, learn, and visit view your location and especially what they have heard others say. Everyone you interact with provides an opportunity to learn. Ask the people you meet, "What have you heard other people (visitors, family, and friends) say about our state/city/community?" Pay close attention to information about goals, activities, priorities, and needs. These elements give context to what you hear. Context is what makes targeted messages meaningful.

Also talk to the members of your chamber of commerce, Rotary, and Kiwanis clubs, etc. If you have already started a branding initiative, ascertain what, if anything, your community members know about it and how well they feel it fits from their perspective.

Assess the extent to which residents already treat your visitors as welcome guests. You can determine this pretty easily; just travel around the community and stop and ask for directions. In-person contact provides an excellent opportunity to experience the community

Strong leadership from elected officials has helped enforce strict architectural guidelines in Madison, MS. Note the store-front architecture of Madison's WalMart and Home Depot.

Photo courtesy of Baldwin County EDA

Fairhope, AL: The details (all the flowers) communicate your attention to your brand promise. Often described by first time visitors as the "beautiful little city with all the flowers," Fairhope now has an international brand.

from the customer's perspective. Also, it is difficult for a community to be something on the outside, if it is not first what it wants to be on the inside. A brand is built with every customer contact by the people within your community. It is the continuous in-person and/or online dialogue that determines what your brand really means to your constituents.

After determining what people think and selecting segments and priorities, craft messages to address which of the three options you are facing within a segment:

- Increasing awareness is best handled through broadcast media and the Internet; your website is an effective place to start.
- Changing perceptions is best done in small steps, going from what is perceived to what you want the segment to see and understand. Where possible, target only those with the misperceptions about the community. If it is a broadly held misperception, then the awareness model will work but will take more time and money. Gulf seafood safety became a problem after the BP oil spill, and changing the public's perception is still requiring massive amounts of money even after a year of expenditures.
- Reinforcing existing positive perceptions with internal constituents can be handled with good public relations.

A good strategy needs excellent implementation, which leads to training and involving internal constituents. Good customer service training is necessary, but must be followed up by managing against clear goals to be effective. Ask this question: "What is the promise we are making or want to make with our brand?" Then identify the reasons to believe, for instance, "You'll receive a smile with every interaction in our town." Is it because you say so or because you have trained every convenience store employee near the interstate to smile at people who ask for directions and hand them a free map of the town or to downtown, to the blueberry festival, to the convention center, etc.

Call key local business, economic development, and government phone numbers to assess the response. Is it friendly and efficient, or is it just the opposite? Remember, this is the first impression you give to people.

Branders must have some method for acquiring feedback from the people interacting with the community's guests. At a minimum, duplicate the first effort where you interacted with various community members and determine if you get the same result. Also, every community website should have a special place for visitor input. Record the findings and keep records of website traffic. Any success brings positive attention and more buy-in from the community and hopefully more resources.

The most important outside group to segment are the professionals a community works with on a regular basis. This segment includes all the individuals coming to and through your community. These include the public officials from outside the community that work with you on projects (state officials, other county executives, etc.) and people from businesses that interact with you on a regular basis – public utilities, influencers, people who produce festivals, etc. This group's perceptions about you and your brand provide an improved perspective on both the community's image and where it sits in the competitive space. These individuals interact with all the communities in the area, or in the case of economic development professionals, communities everywhere.

What do these important customers think about your community? If everything you hear is positive, get the message out. If you hear the same negative reactions from different people, make improvements before communicating with your customers. Interactions with important people can also be used to build the consensus needed in the community about priorities and messages. If more people within a community share your branding vision, it means more resources and an easier time to achieve the necessary coordination and cooperation of your internal constituents. This frees up resources to target other segments you need to influence.

It also helps to have strong leadership from elected officials. For example, the mayor of Madison, Mississippi, Mary Hawkins-Butler, and the City Board of Aldermen have long enforced strict architectural guidelines for commercial and industrial property and buildings in their city. Over the last 30 years, Madison has changed its image from a sleepy, rural, middle class community to

A brand is built with every customer contact by the people within your community. It is the continuous in-person and/or online dialogue that determines what your brand really means to your constituents.

one of the top places in the U.S. to live. This designation comes from respected sources such as CNN/Money Magazine and *Family Circle Magazine*.

Real estate values have soared and the city has an almost cult like following from those who value a small town look and feel, tight signage, and zoning regulations. To further its image, the city's only interstate interchange has a stone facade, rather than concrete, and is believed to be the only one of its kind in the U.S. High quality, high value, high standards – those are phrases often used to describe Madison.

WHEN AND HOW MUCH MONEY

After determining who to target and what the message is, the next question to answer is when. Prioritize segments and messages. There can only be one primary customer at a time and the resource commitment must follow this choice. Other important constituents get just enough attention until they become your primary customer.

The answer to how much money you have to spend flows from blending your communication objective, target market, message, and media. Two points are important:

1. Consider what measures you will use to evaluate progress. These are important for at least two reasons. First, the measures indicate how well your strategy and implementation efforts are performing and provide feedback to adapt your strategy to meet any new realities you discover. Second, the performance measures facilitate discussions with your superiors and board on the results you are achieving.

Early success means you are achieving agreed upon goals and can be used to garner the additional resources needed to move to larger and more expansive audiences. Specific, measurable outcomes are best. To the typical economic development goals of job creation, capital investment, and per-capita income, add such measures as sales tax revenue, hotel occupancy, growth in the number of prospect inquiries, and measures of top-of-mind customer awareness.

2. The message is driven from understanding the segment you are talking to and what you need to communicate to achieve your purpose. As mentioned earlier, certain media vehicles lend themselves to delivering particular kinds of messages. Also, consideration of the budget comes at the end of the process. Do not try to achieve a $15,000 objective with a $5,000 budget. Either change the objective or change the budget. Getting as much as you can of a $15,000 objective for $5,000 is a sure way to waste your money. If you are willing to settle for partially attaining objectives, then set a goal you can achieve with $5,000.

Another common mistake is thinking social media are free. Free often equates to the mistakes of not monitoring your sites, not responding appropriately to posts from others, and not updating and changing your sites frequently enough to keep them interesting. A low up-front cost to set up social media must be followed by all the needed expense to keep them up-to-date.

Downtown Shopping District in Fairhope, AL.: Flowers everywhere also mean a serious commitment to the resources necessary to keep the city beautiful.

You will also need professional help with your website. Advertising clutter is pervasive today. Once consumers are overloaded with information, they become desensitized and do not pay attention. Given all the constituents in a community, it is difficult to balance the need to include everyone on your website without making it too cluttered. This is why economic development organizations need expert help from someone who understands website marketing design.

For example, instead of building a community website or putting up a Facebook page, think about building a platform for visitors to become better friends and to share their community experiences. This builds on the new technology to foster word-of-mouth advertising, always the best form of getting your message out. Existing customers become advocates and sell your message and positioning.

Finally, success is about hitting singles as much as home runs. You can control the singles; you need a confluence of factors, few of which you have any control over, to align correctly to get a home run in the branding business.

Fairhope, Alabama, provides a great example of effective branding. There are, of course, many other examples. Here is what Fairhope did to change its community's brand.

Fairhope was created in 1894 as a single tax colony, experimental community. Its identity as a creative community began with its creation. Its branding as a beautiful city with unique, ever changing flora started as a vision of long time Mayor Jim Nix, who served from 1972–2000.

Mayor Nix was a regular traveler who loved to visit beautiful cities. When Hurricane Fredrick destroyed much of Fairhope and many of its trees and flowers in 1979, Mayor Nix knew that the opportunity was right to recreate the city's image – first in the minds of its residents and then for the outside world.

Selling a vision of creating the "Carmel of the South," he worked with the Fairhope Rotary Club to purchase the first of hundreds of new trees and started a campaign to beautify and strengthen the downtown area. He hired Fairhope's present mayor, Tim Kant, to be the city's horticulturist, providing him with the authority and budget needed to transform the inner city.

Utilizing asset mapping, long before it was part of regular economic development practice, the two visionary leaders identified all of the city's core assets and developed a plan to enhance sidewalks and to add trees, flowers, and fountains. Participation in several hands-on Disney seminars helped crystallize ideas, with Disney's "Behind the Scenes Horticulture Experience" leading to massive replanting, with the work always performed before and/or after downtown business hours. This "new beginning" occurs at least five times a year, made possible by ten city-owned greenhouses; 60,000 tulips imported from Holland; and a mayor, city council, and staff dedicated to creating a WOW factor.

The citizens bought in, others began to take notice, and word began to spread via travelers to the area. Soon the national travel media took notice. Honors have included #2 on *Money's* "20 Best Places to Retire" in 1994 and *Family Circle's* recent recognition of Fairhope as the "4th Best Town for Families." The city enters international competitions such as "Nations in Bloom" and "Cities in Bloom," where it ranked #1 in 2001 in its population category.

Often described by first time visitors as the "beautiful little city with all the flowers," Fairhope truly now has an international brand. Mayor Kant modestly describes the brand as being built "one flower box at a time." And what a great brand it has become, attracting first time visitors with its beauty, who return because of Fairhope's quality of life and creative diversity.

CONCLUSION

Communities are like individuals; each is unique and already has a location brand. To make that brand meaningful, leaders must identify what makes their community unique; identify who will want to live, work, or play in the community based upon that uniqueness; and develop targeted messages and means of delivery to both internal and external audiences. Leaders must also train local points of customer contacts to insure the chosen message is delivered and reinforced, and do constant follow-up research to measure results.

If you build from a solid foundation, your brand will aid you in fulfilling your economic development objectives. The basics covered here will get you started correctly. Cookie cutter approaches are not effective and are expensive. Understanding the perception of your community in the minds of current and desired customers is a must. After all, even well known brands have segments that require a different strategy. Although Orlando is known as a vacation spot, it still has to work on being seen as a place to attract new industry.