

Manufacturing

Reshoring Tools to Retain Companies and Attract Foreign Direct Investment

Deserted No Longer

Improving Fresh Food Access in Newark

Revitalizing Regional Economies by Accelerating Entrepreneurial Successes

How JumpStart's Work Is Transforming Northeast Ohio and Beyond

Economic Catalyst for Community Transformation

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Paul Krutko, FM
IEDC Chair

dear colleague

I am honored to become IEDC's newly elected board chair. It is a distinct privilege to serve as chair of this great organization. My responsibilities will be simultaneously challenging and rewarding in helping to maintain the organization as the premier association for economic developers. I am especially enthusiastic about working with IEDC's outstanding staff and all of the board members.

Our Governance Committee members will serve as the organization's leadership team for 2013: Jay Moon, CECD, FM (Immediate Past Chair); William C. Sproull, FM (Vice Chair); JoAnn Cray, CECD (Secretary/Treasurer); Barry Matherly, CECD (Planning and Business Development); Janet Miller, CECD, FM (External Member Relations); and Craig Richard, CECD (Performance Oversight and Monitoring). Each of these individuals brings a unique array of strengths to the board.

In a globalized world, it is imperative that IEDC support and expand its international reach, while identifying opportunities to help communities look globally for ways to prosper locally. Throughout the year, IEDC will continue to build relationships with not only our international partners but also our internationally-focused allies within the U.S. federal government, such as SelectUSA, the country's investment promotion arm housed within the Department of Commerce.

IEDC has successfully collaborated with provincial-level economic development organizations across Canada, along with partners in Australia, New Zealand, and Europe. I look forward to forming new linkages with economic development professionals in Latin America, while building on a partnership with the Center for Local Economic Development at the University of Johannesburg in South Africa.

In addition to further expanding our global reach, IEDC will continue to highlight a range of strategies and approaches to help build strong local economies. Relative to this effort, I'm particularly excited about the 2013 Spring Conference, June 9-11, in my home town of Ann Arbor, MI. "Leveraging Unique Regional Assets to Compete Globally: Spurring Job Creation through Cluster Development and Transformation" will use examples from Michigan and elsewhere to show how communities can reinvigorate themselves. Please accept my personal invitation to come to Ann Arbor and experience a great community at a great time of year.

In continuing to advance the organization's role as a leader in economic development, we are dedicated to providing our members with the most cutting-edge information and thinking regarding the state of the economy and what it means to our profession. For example, IEDC's Economic Development Research Partners (EDRP) recently produced two new papers on "Accelerating Success: Strategies to Support Growth-Oriented Companies" and "New Realities in Funding Economic Development Organizations." Through conferences, publications, professional development courses, our clearinghouse service, and other resources, IEDC is committed to being the go-to organization to support you in today's economy.

IEDC is also committed to being a player in the ongoing conversation over business incentives. We have put out two surveys to our members and are currently in the process of convening an incentives task force, whose work will very much be informed by the results of those surveys.

I look forward this year to further assisting IEDC with its mission of providing leadership and excellence in economic development for our communities, members, and partners. We will all be working together to turn today's obstacles into tomorrow's opportunities.

A handwritten signature in black ink that reads "Paul Krutko" with a stylized flourish at the end.

Paul Krutko, FM
IEDC Chair

The IEDC Economic Development Journal

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The University of Minnesota Duluth Natural Resources Research Institute (NRRI) created the Small Business Innovation Initiative to help small businesses and entrepreneurs succeed. Winner of IEDC’s Gold Award in Entrepreneurship, the initiative allows NRRI to deploy expertise, research equipment, and laboratories around technological entrepreneurs’ projects to develop new or improved products or production efficiencies.

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An alarming number of U.S. business owners, CEOs, managers, and workers are either conducting business in an information vacuum or are neglecting to make adequate preparations for a generational super storm that is bearing down on every U.S. business, large or small.

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INTERNATIONAL
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manufacturing

By Harry Moser

Reshoring is bringing back manufacturing that went offshore. The Reshoring Initiative is a non-profit organization dedicated to helping companies understand the true cost of offshoring by using Total Cost of Ownership (TCO) analysis. The more companies use TCO, the less they offshore and the more they reshore. The Initiative first presented reshoring to the IEDC Annual Conference in 2012. This article is a follow-up to provide more data and tools for members, and to encourage further TCO usage. The Initiative's goal is to balance the U.S.' approximately \$600 billion/year trade deficit. Doing so would increase U.S. employment by about 6 million and significantly reduce federal, state, and local budget deficits.

The logic of reshoring is similar to the logic espoused by most EDOs (Economic Development Organizations): produce near the customer. Over the past few decades, companies rushed to offshore for cheap labor and low purchase price. But as the global economic climate evolves, the labor savings have shrunk and the "hidden costs" of producing far from home have become both greater and more apparent, increasingly offsetting the residual labor savings. With the adoption of Total Cost analysis, companies are increasingly deciding to source locally. The full spectrum of reasons for this shift is diverse and complex, but the fundamental reality is that the U.S. is still the largest market for most products. To meet the needs of the domestic market, it makes sense for U.S. companies to expand here instead of offshore, and for foreign companies to locate their factories close to U.S. consumers. EDOs can use this analysis to retain existing companies and motivate FDI (Foreign Direct Investment).



"Zentech's facility in Baltimore continues to build power management and wireless printer products reshored from China in 2011."

The advantages of producing near the consumer are great. IEDC's 2012 Winter issue of Economic Development Journal reported on a closely related concept, a Creative Molecular Economy now underway.¹ This is an economic model based on the nature of organic systems, where the global community consists of interdependent sub-communities/regions that connect, collaborate, and compete. The coming "Organic Age" is far more complex, ambiguous, and perpetually in a state of high-speed change than the Industrial Age it is replacing. Education, flexibility, and innovation are identified as the key attributes for success within this model. As a new economy evolves, it is no surprise that these attributes also help drive companies to reshore. Loss of flexibility and reduced ease of innovation (along with subsequent increased intellectual property theft) are among the important hidden costs of offshoring. Education, especially training a skilled

Harry Moser is Founder and President of the Reshoring Initiative. In addition to the TCO Estimator software, the Initiative also provides a database of 300+ reshoring articles and a Case Studies feature where companies can share their real cases of reshoring. All resources are available on the website at: www.reshorennow.org. (harry.moser@reshorennow.org)

RESHORING TOOLS TO RETAIN COMPANIES AND ATTRACT FOREIGN DIRECT INVESTMENT

About 50,000 manufacturing jobs have been reshored in the last three years due to rising offshore costs and companies starting to recognize the "hidden" costs of offshoring. To help companies make better sourcing decisions and decide to expand or locate factories in the U.S., the Reshoring Initiative provides a deep understanding of the economic trends and free objective software that helps companies calculate the real current and forecast offshoring impact on their P&L. EDOs can use the software to quantify for companies the benefits of local production to serve the U.S. market.

CHART 1

Eleven Reshoring Cases Demonstrate the Breadth of the Industries Involved

Company	Product	Reasons Production Reshored	From	To
Lincolnton Furniture Company	Bedroom and dining room furniture	- High transportation costs - Competitive labor costs in the United States along with labor availability	China	Lincolnton, N.C.
Apple	Mac Computers	- Cut down on delivery times and shipping costs - Improved PR	China	U.S.
Wright Engineered Plastics	Plastic injection moldings for medical and telecom customers	- High transportation costs - Rising foreign wages - Quality defects common and difficult to deal with	China	Santa Rosa, Calif.
General Electric	Water heaters	- State of Kentucky provided tax incentives - High-tech appliance models newly designed - Lean production processes adopted in the U.S. - Ease of design and innovation in the U.S. - Collaboration with workers and unions cut U.S. unit cost by \$20 - Total cost of ownership: Chinese costs 6 percent higher than American when considering inventory and delivery problems	China	Louisville, Ky.
Freeman Schwabe Machinery	Hydraulic die cutting presses	- Restoring the company's long-term "Made in USA" heritage - Warranty costs reduced by 90 percent - Ability for the company to control its own destiny - Improved speed to market - Rebuild employee skills and morale	Taiwan	Cincinnati, Ohio
Ford Motor Company	Hybrid transmission components, battery packs and steel forgings	- Quality issues	India Mexico Japan	Ohio Michigan
Bailey Hydropower	Hydraulic cylinders	- Fast delivery versus five weeks on the water - If quality is a problem, then no more bad units en route in the long supply chain	India	West Knoxville, Tenn.
Karen Kane	Women's apparel	- Quality-control issues - Rising labor costs - Nimble domestic companies are better able to capitalize on fashion trends - More sophisticated manufacturing techniques mean production is no longer prohibitively expensive	China	Los Angeles, Calif.
Morey Corp.	Circuit boards	- Quality issues - Inventory cut by 94 percent	China	Woodbridge, Ill.
Ace Clearwater Enterprises	Welded assemblies for aerospace and energy	- Quality-control issues - Customers are willing to pay more for high precision and quality	Hungary	Torrance, Calif.
NCR	ATMs	- Slow response time from foreign contract suppliers, especially from the lower tiers - Chinese wages up - Innovation: silos eliminated by having manufacturing near engineering and customers	China India Brazil	Columbus, Ga.

Links to articles on each of these cases can be found at: www.reshorennow.org/book/table

workforce, is the single most important controllable factor in rebuilding a solid manufacturing base, as will be discussed later.

Companies across all sectors of manufacturing have reshored, or have committed plans to bring work back to the U.S. Chart 1 is a sampling of some of the 200+ companies that have/will reshore.

A CLOSER LOOK AT TCO

TCO is defined as a total of all relevant costs associated with making or sourcing a product domestically or offshore. TCO includes current period costs and best estimates of: relevant future costs, e.g. warranty; risks, e.g. IP loss; and strategic impacts, e.g. impact on product innovation.

TCO analysis helps a company objectively identify, forecast, and minimize Total Cost. It takes into account the costs of wages and currencies (which are important to keep track of, especially in low-labor-cost countries where they are often rising quickly), as well as energy and transportation prices. Other factors such as those associated with the risk of supply chain shocks and disruptions caused by natural disasters and political instability also are accounted for. Chart 2 shows the distribution of reasons (costs) that motivated published cases of reshoring. The tangible costs are the most frequently mentioned.

CHART 2

Distribution of Reasons for Reshoring

Reason	Number Of Cases Cited
Wage and Currency Changes	54
Quality, Warranty, Rework	41
Delivery	38
Freight Cost	32
Travel Cost/Time or Local Onsite Audit	27
Inventory	25
Total Cost	20
Intellectual Property Loss or Risk	20
Communications	14
Image/Brand (prefer U.S.)	12
Loss of Customer Responsiveness	9
Emergency Airfreight	9
Difficulty of Innovation/Product Differentiation	6
Natural Disaster Risk	4
Price	4
Green Considerations	4
Burden on Staff	3
Product Liability	2
Personnel Risk	1
Regulatory Compliance	1

Source: Reshoring Library 9/16/12

TCO is defined as a total of all relevant costs associated with making or sourcing a product domestically or offshore. TCO includes current period costs and best estimates of: relevant future costs, e.g. warranty; risks, e.g. IP loss; and strategic impacts, e.g. impact on product innovation.

HOW TO CALCULATE TCO

The Reshoring Initiative has developed a Total Cost of Ownership Estimator™, a complimentary tool, to help companies easily determine their TCO for specific products or tools. The user assigns a value to each of 36 factors that is relevant to each source in the specific case. The Estimator uses the factors to calculate 27 costs, which it accumulates into a single Total Cost for a product sourced from a particular supplier or a particular company owned factory. The user repeats the process for each source, and can then objectively compare the TCO for the same product from multiple sources, whether local or offshore. The following list is a guide to the costs addressed in the TCO Estimator, beginning with “hard cash” costs and progressing to more subjective measures.

- 1. Cost of goods sold or landed cost:** price, packaging, duty, and planned freight (such as surface shipment), logistics fees, and insurance.
- 2. Other “hard” costs:** costs that are calculable and highly likely to occur, including:
 - a. Carrying cost for in-transit product.* Payment for foreign products often occurs prior to shipment whereas domestic suppliers are paid after shipment, often long after. In-transit times are longer.
 - b. Carrying cost of inventory on-site.* The amount of onsite inventory will be dramatically higher for product shipped by ocean freight than for shipments from a local, just-in-time, supplier. Cycle inventory is higher due to larger, less frequent shipments. Safety stock is higher due to longer delivery times. Large inventories associated with offshoring also are a risk in the next business downturn.
 - c. Prototype cost.* Sourcing prototypes locally allows engineers and marketing organizations to work more effectively with the suppliers during product development. Local suppliers typically charge less for the prototype if they also receive the production orders.



NV3 Technologies, which fabricates cell phone charging kiosks, moved all of its production from Asia to Maryland because of quality and delivery issues.



Indoor/outdoor lighting fixture manufactured by Hubbardton Forge in Castleton, Vermont. Each fixture has two aluminum spinning components (shown above) that as a result of understanding the total cost were sourced domestically instead of overseas.

- d. *End-of-life or obsolete inventory.* When a product changes, offshore sourced products' obsolete inventory in-house, en-route, and on order will be higher than products from a local source.
- e. *Travel costs.* Travel expense and time for ongoing auditing and problem solving can have a notable impact on a product's total cost.
- 3. **Potential risk-related costs:** High-frequency risks, such as emergency airfreight, scrap, and rework, to name a few, can be calculated based on past experience with an existing supplier. New products or new suppliers will require estimates.
 - a. *Rework.* These costs can be especially high for custom products, such as molds or dies.
 - b. *Quality.* Who pays for scrap? In addition to the cost of lost production and warranty-related payouts when the product fails, quality problems are costly in other, less tangible ways, such as lost market share, permanent loss of customers, or the negative impact on brand image.
 - c. *Product liability.* How do the suppliers compare in terms of accessibility, willingness, and ability to pay any product-liability claims?
 - d. *Intellectual property risk.* Approximately 5 to 7 percent of world trade consists of counterfeit or pirated goods.²
 - e. *Opportunity cost.* What is the cost of lost orders and customers when a supplier cannot respond quickly enough to changes demanded by the market?
 - f. *Brand image.* Several recent surveys have shown an increasing preference for domestically made products and decreasing preference for Chinese products. These changing attitudes are based on improving quality of U.S. products, publicity about poor quality imports, and recognition of domestic manufacturing's impact on the economy, neighbors, and family.

- g. *Economic stability of the supplier.* It is much easier to find accurate information about the stability of a supplier located in the home market than it is for a supplier overseas. Lower tier suppliers are especially hard to monitor in developing countries.
- h. *Political stability of the source country.* Even countries that are making good economic progress can become destabilized because of changing consumer expectations and demands and political unrest.

4. Strategic Costs:

- a. *Impact on innovation.* Separating manufacturing from engineering degrades the innovative effectiveness of a company and its home country. Conversely, "clustering" – having suppliers, research universities, manufacturing, development, and production located near each other – provides a large advantage for innovation.
- b. *Product differentiation and mass customization.* It is easier and less costly to make the move to mass customization with short, tightly clustered supply chains
- 5. **Overall impact on society:** The current TCO Estimator calculates the micro-economic impact on the firm. We are developing two additional features to estimate the broader impact on our society:
 - a. **Environmental:** Some companies measure the "cleanliness" of their own production and their supply chains. "Green" costs can now be manually inserted into the TCO Estimator. A green calculation will be added to a future version. Green issues will become more important as the population continues to grow, impacting sustainability. As a result it is likely that hard costs, such as carbon taxing, rather than voluntary estimates, will increasingly apply in this area.
 - b. **Macro-economic:** Reshoring increases U.S. employment and business activity in domestic suppliers. This feature will value that impact by summing the extra taxes that workers and companies will pay and the lower government expenditures for unemployment, food stamps, welfare, and stimulus programs.

TCO analysis helps a company objectively identify, forecast, and minimize Total Cost. It takes into account the costs of wages and currencies (which are important to keep track of, especially in low-labor-cost countries where they are often rising quickly), as well as energy and transportation prices. Other factors such as those associated with the risk of supply chain shocks and disruptions caused by natural disasters and political instability also are accounted for.

THE IMPACT OF USING TCO

User data shows that about 25 percent of what has been offshored would come back if all companies used TCO instead of price for sourcing decisions. The impact of using this approach is demonstrated by a statistical analysis of user calculations. The results for the most recent 27 cases of China vs. U.S. are in Chart 3.

CHART 3

Summary of Users' TCO Results: China vs. U.S.

Comparison Basis	U.S. % of China Price or TCO, average	% of cases where U.S. has the advantage
Price	169%	15%
TCO	96%	56%
Difference	73%	41%

From this data we could conclude that the use of TCO instead of price changes the sourcing decision on 41 percent of the cases. Conservatively we reduce that figure to 25 percent.

Based on analysis of the articles in the Reshoring Library, the Initiative calculates that about 50,000 manufacturing jobs have been reshored in the last three years. That surge represents about 10 percent of the total increase in manufacturing jobs since the low of January 2010. If the current trend of increased TCO use is paired with other favorable trend factors or strategies, the potential for reshored jobs is estimated at up to 6 million in Chart 4.

CHART 4

Potential for Reshored Jobs

Scenario (Source of the scenario)	Manufacturing Jobs*	Total Jobs**
Today: If all companies used TCO (Reshoring Initiative)	~500,000	1,000,000
By 2015: If Chinese wage trends continue (~BCG)	1,000,000	2,000,000
Better U.S. training, process improvement, automation, tax rates (~Advanced Manufacturing Partnership)	2,000,000	4,000,000
End of offshore currency manipulation	3,000,000	6,000,000

*# of jobs and scenarios are cumulative.

**Assumes a low 1.0 multiplier effect

The potential is great for the American economy, workforce, and individual companies, but in order for the potential to be realized, many more companies must adopt TCO analysis. In its March 12, 2012 report, Boston Consulting Group identifies seven industry sectors as being at or near the tipping point, where it will make economic sense for production to return to the U.S. if companies look at total cost.³



According to Zentech President Matt Turnpin, "Zentech's facility proves Baltimore is better than Beijing."

When it becomes clear that there is often not a TCO penalty associated with domestic sourcing, it is easier for a company to place more emphasis and resources on building strategies such as product-differentiation or product innovation, both of which are maximized via local sourcing. A company might also pursue cost-reduction programs, such as lean, theory of constraints (TOC), design for manufacture and assembly (DFMA), quick response manufacturing (QRM), automation or training that might have seemed insufficient to close a 40 percent price gap but are more than able to close a 10 percent TCO gap.

TCO use and industry awareness of the potential benefits of reshoring are essential components of rebuilding the U.S. industrial base. When companies understand their total cost of ownership they offshore less and reshore more. Individual companies, educational institutions, Wall Street, and consumers are starting to embrace reshoring. In January 2012, the White House hosted the "Insourcing Forum," highlighting the Reshoring Initiative's objectives in the lineup. President Obama later summarized in the 2012 State of the Union, "...we have a huge opportunity, at this moment, to bring manufacturing back. But we have to seize it."⁴ TCO use is showing more companies that they can help both themselves and America by bringing production back. The sidebar at the end lists multiple ways EDOs can use TCO analysis and other Initiative tools.

TCO use and industry awareness of the potential benefits of reshoring are essential components of rebuilding the U.S. industrial base.

CHART 5

Behavioral Change Suggestions/Call to Action

Player	Present Condition	Needed Behavior
Consumers	- Price driven.	- Seek made in America products
OEM manufacturers	- 60% decide on offshore vs. reshored sourcing based on price or other simple measures	- Consistently use TCO.
All manufacturers	- Underinvesting vs. China and much of Europe - Training, especially apprentice training, generally poor	- Apply lean, automation, TOC, QRM and other means to close any remaining TCO gap - Start extensive apprenticeship programs.
Community colleges	- Community colleges have dropped manufacturing programs but they are coming back.	- Emphasize the importance of manufacturing careers and offer a wide variety of manufacturing career preparation.
U.S. government	- Overly focused on exporting. Starting to appreciate reshoring.	- Make providing the workforce needed for the nation to be globally competitive the highest priority.
Reshoring Initiative	- Very visible in the factory level manufacturing community, the contract manufacturers, the economic developers and the government. - Not effective enough with the OEMs	- Obtain a reference company – a large OEM – that uses the TCO Estimator and serves as an example for others
Brick and mortar retailers	- Too high a priority on lowest cost products	- Source based on TCO instead of ex-works price - Make it easy for consumers to find made in America products and to understand the quality differential
Online retailers	- A number of small retailers promoting American made products	- Take advantage of dramatically lower overhead to offer American made online at the price of offshore made at brick and mortar retailers
Contract manufacturers	- Generally: good quality, slow response, higher prices, poor training	- Use TCO as a sales tool to convince customers of the benefits of buying domestically from them - Respond fast enough to preserve the natural advantage that flows from proximity to the OEM customer
K-12 education system	- Overall poor - Guidance counselors primarily guide to the best college the student can enter, rather than to the best career the student can achieve.	- Dramatically improve student performance, especially in STEM fields, and preparation for mfg. careers - Provide the tools for students to compare a skilled manufacturing professional career to the probable outcome of attending a 4 year college
Universities	- Just get the desired number of students. Field of major not important.	- More focus on engineering, especially manufacturing and industrial engineering
Wall Street	- Rewards companies for offshoring	- Ask companies about their use of TCO instead of price variance for sourcing decisions and bonuses
Venture Capital	- Routinely insists that start-ups get the prototype made here and then immediately source from Asia	- Help start-ups use TCO to make better sourcing decisions
Government leaders	- Talking about manufacturing much more than in the past - Proposing legislation to strengthen manufacturing	- Promote manufacturing as not just good for the country but as providing a better career for many citizens - Promote TCO. Actively encourage companies to use it. Insist that governments use it for sourcing decisions. Insist that government contractors use it.
States, especially economic development organizations	- Tend to focus on competing with each other for factories	- Focus on helping companies decide not to offshore or that have offshored to reshore or find local suppliers - Focus as much on getting OEMs to outsource locally as on OEMs' new facilities
Unions	- IUE-CWA and AFL-CIO have been trained by the Initiative to discuss TCO with employers.	- Create conditions so that the U.S. is the most profitable, while not the lowest wage, location for companies to produce for the N. American market. - Recognize that the union is stronger, member jobs more secure, if the company has strong domestic sourcing of components, even to non-union suppliers, than if the components are outsourced overseas or even produced in-house overseas. Thus align interests with domestic suppliers to reshore and maintain both components and final assembly domestically.

MORE WAYS TO IMPROVE MANUFACTURING AND THE U.S. ECONOMY

To bring enough jobs back to restore our economy and balance the trade deficit will require a broad range of actions and behavioral change across most sectors of our society, as outlined in Chart 5. The highest priority is on developing a much stronger skilled workforce. Reshoring helps recruit that workforce by demonstrating to students and society that local manufacturing is coming back and providing solid long-term careers.

CONCLUSION

The fastest, most cost effective, stable way for EDOs to strengthen their local economies is to motivate and enable reshoring and help companies see the benefits of not offshoring. ④

ENDNOTES

- 1 "Unleashing Fundamental Change," by LaDene Bowen, CEcD, FM; Ronnie Bryant, CEcD, FM, HLM; Jim Damicis; Scott Gibbs; Rick Smyre; and Mark Waterhouse, CEcD, FM, HLM. EDJ Winter 2012
- 2 "Knock-offs catch on," The Economist, March 4, 2010
- 3 "Made in America Again," BCG, March 2012
- 4 "Management: How to Make It in America," Quality Magazine, April 6, 2012

HOW EDOS CAN USE TCO AND RESHORING

Help local companies make more objective sourcing decisions

Convince local companies to stay, expand and source locally

Convince foreign companies to locate in the U.S.

Use Reshoring Case Studies to promote:

- Local companies
- Your area as the "U.S. Reshoring Capital"

Use the Reshoring Library to identify prospects

Put as much emphasis on local outsourcing as on new OEM factories:

- Organize state or regional Purchasing Fairs to help local suppliers replace offshore sources for the OEMs
- Build clustering/moats/ecosystems around your companies
- Attract suppliers and OEMs to join the cluster
- Remember that local outsourcing offers much faster implementation (no waiting for approvals, negotiations, construction, etc.) and less or no need for incentives since the OEM and the supplier are negotiating the deals. You just help them network!

Use the success of reshoring to motivate the strengthening of local manufacturing skills training



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deserted no longer

By Lyneir Richardson and Christina Corea

Newark, New Jersey, is on a comeback train. With a population of just over 280,000, it is the largest city in the state, with robust transit connections, an international airport, seaport, and two of the state's largest cultural destinations, the Prudential Center and New Jersey Performing Arts Center. However, like many big American cities, Newark experienced a population decline of 160,000 residents and a concomitant lack of investment during the last half of the 20th century. The mission of Mayor Cory Booker, first elected in 2006, has been that Newark would set a national standard for urban transformation.

ECONOMIC DEVELOPMENT ORGANIZATION FORMED

One early action of the mayor and the Municipal Council was to form Brick City Development Corporation (BCDC) as Newark's primary economic development catalyst to retain, attract, and grow businesses; enhance small and minority business capacity; and spur real estate development. BCDC is Newark's EDC, an independent non-profit corporation with a contract to provide economic development services to the city. The organization structure was modeled on EDCs that existed in Baltimore, Detroit, St. Louis, and elsewhere.

A team of committed BCDC professionals, mainly recruited from the private sector, has worked side-by-side with officials from City Hall to lead Newark's revitalization efforts. In the last three years, there has been over \$1.5 billion of announced investment in the city. More importantly, construction is actually underway. Recent ground-breakings, ribbon cuttings, and lease signings are creating over 2,500 new permanent jobs and as many, or more, construction jobs.



The new Food Depot supermarket in Newark is an \$8 million project that was funded in part with a loan from the Brick City Development Corporation (BCDC)/Urban Enterprise Zone Loan Fund, which is part of the Supermarket Initiative of BCDC's Fresh Foods Program.

These business attraction successes and real estate development activity have occurred in the larger context of rebuilding the city's image as a productive place. Even when the deep national recessionary years of 2008-2010 applied the brakes to growth efforts around the country, the city still managed to make its way for the first time onto the list of the nation's top 10 emerging markets, according to *Real Estate Forum*.

PIPELINE TO FINISH LINE

BCDC created and implemented a strategy that helped to jump-start the surge in development activity in the city, called "Pipeline to Finish Line" (PTFL). Moving projects "from the pipeline through to the finish line" became a battle cry and operating mantra for our efforts to make economic development happen in the city. PTFL established the foundation for decision making regarding which projects received priority attention from the economic development team. The strategy also

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IMPROVING FRESH FOOD ACCESS IN NEWARK

Brick City Development Corporation (BCDC), the economic development catalyst for the city of Newark, New Jersey, recently won the Gold Excellence Award from the International Economic Development Council. This award was given to BCDC for its role in bringing the 31,000 SF Food Depot supermarket to Newark, the first new full-service supermarket developed in the city's Central Ward in 22 years. Three new grocery stores are now open in Newark as a result of BCDC's financing and deal structuring approaches. BCDC is addressing Newark's "food desert" and "food swamp" challenges by utilizing new strategies to promote access to healthy food options.



Food Depot Supermarket, located at 75 First Street, in Newark's Central Ward.

provided a framework as we analyzed and advocated for loan and investment incentives for projects with high potential impact when development was actualized.

BCDC started the process by assessing in detail over 30 development proposals. We considered developer capacity, reviewed the pro forma assumptions in each project and determined if we could actually get a project to construction start, or get stalled projects to construction completion, by concentrating the use of available economic development dollars, resources, talent, and tools. We focused first on deals that could actually make it to the "Finish Line" within a 12-24 month period of time. If you take a quick ride around Newark today, you will now see the results of our PTFL efforts, which helped catalyze the construction of:

- A new office tower that will be anchored by the North American headquarters for the Panasonic Corporation (the first new ground up office tower built in the city in two decades);
- A new Marriott Hotel and a Hotel Indigo (the first new hotels built in the city in 38 years);
- Teachers Village, an innovative project designed by noted architect Richard Meier, that includes three new charter schools, new residential units and retail;
- The renovation and expansion of a cool urban movie theater (invested in by Goldman Sachs and NBA legend Shaquille O'Neal);
- A regional distribution facility for over 500 Starbucks stores;
- A Wakefern Corporation warehouse, distributing fresh produce to Shoprite stores from Boston to Buffalo; and

- A manufacturing home for Manischewitz, a leading producer of kosher products.

We are no longer just cheerleaders for development in the city, but now are also tour guides for these important developments which provide the foundation for a new generation of projects. Since these first projects opened, significant development announcements to refill the pipeline include new office buildings for Prudential Financial and Cablevision and significant new downtown residential, including new lofts attracting professionals and students.

Critical to supporting new development is the question about how to simultaneously utilize the tools from the PTFL approach in order to serve local residents in need of more nutritious food options. BCDC applied the same consistent rigor and analytical approach to the food store projects that are now open which it had previously applied to the larger development projects that broke ground.

FOOD ACCESS

In addition to evaluating what healthy food options can serve the new workers and residents who are anticipated to move into the city, the issue BCDC sought to solve with its Fresh Foods Program was how to provide new food-buying options for residents across Newark's wards that had experienced a lack of nutritious options for decades. Like sister cities across the country, many of Newark's neighborhoods had a dual problem: "food deserts," where there is limited access to fresh food for sale at an affordable price within walking distance of residents; and "food swamps," an overabundance of fast food establishments and junk food outlets on seemingly every corner.

Studies show that the lack of access to healthy food adversely affects the ability of low-income families to maintain healthy lifestyles and hampers educational

Like sister cities across the country, many of Newark's neighborhoods had a dual problem: "food deserts," where there is limited access to fresh food for sale at an affordable price within walking distance of residents; and "food swamps," an overabundance of fast food establishments and junk food outlets on seemingly every corner.



Food Depot, a 31,000 SF supermarket, is the first to open in Newark's Central Ward in over 20 years.

The Fresh Food Program initially focused on renovating corner stores. We identified four strategically located small corner stores (generally between 500 to 5,000 SF) in each ward of the city. The plan called for us to provide small incentive grants and technical assistance to store owners. In exchange, our grant agreement required the store owners to agree to offer more fresh foods in their stores and/or to display fresh food items more prominently for a two-year period.

advances among urban school children. For example, Rutgers University's New Jersey Childhood Obesity Study showed that 44 percent of Newark children were overweight or obese, and that compared to national data, more Newark children fall into either the overweight, obese or very obese categories.

In addition to providing fresh food to improve residents' health, BCDC looked at the value proposition being offered to retailers who could potentially locate here. While updating the Newark Master Plan, BCDC discovered that up to 38 percent of the money that Newark residents spend on groceries is purchased outside of the city. Even more eye opening was a report by Advance Publications newspapers of supermarket prices in 11 metropolitan areas, showing that Newark's prices were among the highest.

For Newark residents' health, wealth, and vitality, it became clear that BCDC should work to build a food system that would promote both access to healthy food and affordability of fresh food options. In 2010, we launched a Fresh Food Program with two straightforward goals:

1. Provide assistance to three to five existing corner stores so that they could provide more fresh food options, and
2. Enable three to five new neighborhood grocery stores to open.

We learned in benchmarking successes in other cities that new and redeveloped food stores often bolster neighborhood revitalization efforts. Productive grocery stores boost a city's tax base, typically create 20-80 new jobs, and act as an anchor to drive traffic to existing retail.

MAKING CORNER STORES BETTER

The Fresh Food Program initially focused on renovating corner stores. We identified four strategically located small corner stores (generally between 500 to 5,000 SF) in each ward of the city. The plan called for us to provide small incentive grants and technical assistance to store owners. In exchange, our grant agreement required the store owners to agree to offer more fresh foods in their stores and/or to display fresh food items more prominently for a two-year period. We dreamed of a day in neighborhood corner store retailing where it would be

as easy for a kid to buy an apple or carrot as it is to buy a Snicker's candy bar or a bag of potato chips.

BCDC received approval from the city to allocate a total of \$200,000 in grant funding for the Fresh Food Program and once this funding was secured, we began to offer small grants. The grants were approximately \$45,000 to \$65,000 per store, enabling store owners to undertake store improvements necessary for the sale of fresh food.

The grant money was used for equipment purchases such as new cash registers (with integrated software and food scales so that produce could be sold by weight) and refrigeration coolers to attractively display and preserve perishable food items. The money was also used for façade improvement, signage, layout, operational changes, and other costs associated with purchasing, storing, and selling fresh fruits and vegetables. (Food Plaza was the first store completed. See the Youtube video at the following link: www.youtube.com/watch?v=AS-!HWVnc14)

DOING THE HOMEWORK ON GROCERY STORES

After helping a few existing small stores expand and build capacity to carry fresh fruits and vegetables, BCDC next turned to the goal of getting new grocery stores to open in Newark. There was demand for bigger stores, but this had to be proven. Methodically, a three-person BCDC team started working to understand the available real estate in Newark and develop an inventory of grocery store sites.

We began to look at things through the lens of a grocery store site selector instead of an economic development entity working on behalf of a city. With this view, it was important to talk with grocery store operators to understand what factors were most important for a productive and profitable urban grocer. BCDC commissioned market research, analyzed underserved trade areas, and looked for vacant land or underutilized property in those trade areas.

Staff drove around the city and selected sites that were a suitable distance from existing grocery stores to create a healthy competitive environment. This led us to identify nine high potential grocery store development sites that had the requisite size, visibility, access, and parking. These sites stood a chance of getting a green



Located at 84 Bloomfield Avenue, Food Plaza is one of the neighborhood stores that BCDC provided with refrigeration and point of sales equipment through our Small Grocers Program.



Food Plaza is one of the neighborhood stores that participated in the Small Grocers Program.

light from a cynical, profit-focused national chain real estate committee.

In the process, we discovered, unfortunately, that none of the sites were owned or controlled by the city of Newark. In some instances, the property owners were enthusiastic about a grocery store development concept, but others were not really interested in working with us for one reason or another. We would have to persuade and could not demand. BCDC knew from its PTFL work that it would be most expedient to work closely with a “coalition of the willing.” Consequently, we eliminated a few good grocery store sites where the property owners had unreasonable valuation expectations or a development vision that would not accommodate a grocery store in our community.

BCDC staff then took the show on the road and began to market the sites at national and regional retail trade shows organized by the International Council of Shopping Centers. We discussed our sites with grocery store chain operators directly, as well as retail brokers and developers. We spoke on panels, networked at grocery store industry meetings, and generated press to bring attention to the fact that there was opportunity for new grocery store development in Newark.

The organization started to build relationships with site selectors and brokers representing the big national supermarket chains, such as Shoprite and Whole Foods. BCDC also talked to Walmart, Sav-A-Lot, and ALDI in order to understand the pros and cons of the role that each respective organization could play in bringing groceries to our city. We even imagined the surprise if we were able to attract Trader Joe’s or convince Whole Foods to be the dream prom date for Newark.

Interest was generated. Seeds were planted. Tours were given. Mayor Booker started tweeting and texting Whole Foods CEO John Mackey. Even with all of this activity, we accepted the fact that it was going to be a longer process to get a “yes” from a national chain. None of our sites were “100 percent locations” from the stores’ perspectives at that time. After about six months of diligent work, we knew that attracting national grocery store chains to Newark, while clearly important, would take



Shortly after Food Depot opened, BCDC provided a \$300,000 subordinated loan for Seabra Foods, another new independent grocery store in Newark. The store is expected to create 55 jobs.

time. But in our urgent effort to get a new grocery store underway, we stumbled upon a more immediate niche for Newark.

THE INDEPENDENT GROCERY STORE AND SUPPLIER

A broker from CBRE Group Inc. coordinated a meeting for BCDC to make a presentation to the National Supermarket Association (NSA). The NSA is a trade association representing approximately 400 independent supermarket owners. Many of the owners started small grocery stores in New York’s low-income neighborhoods. According to William Rodriguez, president of the NSA, “We have heard Richardson’s pitch and believe that there is opportunity in Newark for independent grocery store chains as well as big chain store operators.”

The NSA scheduled a tour for its members to visit Newark and see our grocery store sites. These entrepreneurial independent operators were motivated. They could smell opportunity. They were ready to do a deal, now. Once again, we were working with corner store owners. Only this time we would build new and bigger full service stores.

We also learned at this time that grocery store wholesalers were very influential in the success of independent grocery stores. We met with representatives of Krasdale, one of the large privately-held grocery store wholesalers, and learned how they sold inventory, extended credit, and provided strategic marketing and operating advice to independent supermarket owners in our region. Krasdale’s stated aim is “to be the equivalent of a corporate chain headquarters to the independent supermarket owners.”

We soon found out that a local entrepreneur owned a store in another city in New Jersey that was being supplied by Krasdale. The entrepreneur had a business plan for a new store in Newark that benchmarked a successful model from other urban grocery stores. His team had experience in the supermarket business, as well as knowledge of construction and real estate development. He had already contracted to purchase a run-down yellow building in Newark that at the time was home to a former flea market.

His plan called for the opening of an attractive 31,000 SF supermarket to anchor the revitalization of a key corner on a visible commercial corridor. The Food Depot would be the first new full service grocery store to open in the city's Central Ward in over two decades.

The Food Depot store promised clean, well-lit and open spaces for shopping. It would have grocery selections that would cater to the ethnic makeup of the neighborhood and ten checkout lines for fast customer service. The pre-prepared hot foods section in the store would have seating for customers to eat in the store. And with an over 8,000 SF fresh foods section, customers would be able to take advantage of a plentiful selection of fruits, vegetables, and a full service freshly cut meat and seafood counter. It was exactly what the neighborhood wanted and needed.

The total project cost was approximately \$8 million. The developer/operator worked with a local commercial bank which agreed to provide a loan of 65 percent of the project costs. The developer had cash to invest 10 percent of the project cost and asked if BCDC could help bring the project to fruition and "close the gap." He spoke with local elected officials, urging them to support his project. He specifically requested that we structure a multi-million dollar TIF (tax increment financing) and/or that the city issue a bond to financially support his store opening.

The developer also requested a long-term tax abatement. He wanted us to help identify New Market Tax Credits that could support the project. The developer was aggressive and had an "it can't hurt to ask" attitude.

BCDC concluded that all of these programs could indeed be possible subsidy sources for the project; however, the significant transaction related legal, consulting, and administrative costs would be difficult to absorb in such a small project. Equally important, the owner needed to close on his contract for the property acquisition within 90 days, and we knew that it would be a challenge to meet this deadline with a complicated deal structure.

So instead, we tapped our BCDC/Urban Enterprise Zone Loan Fund to act as a first mover and made a commitment to provide \$2 million subordinate debt financing to the developers of the project. BCDC also advocated for a tax abatement and helped get the project through the building permitting process.

Though the project structure was not complex, BCDC was able to expediently fill the financing gap and leverage the private sector investment of the developer and

the bank. Once again, BCDC was able to utilize a straight forward reality-based approach to getting a deal done. It is not always efficient or necessary to have multiple layers of financing and complicated deal structures. The strategy was not sexy and complex but it was potent and effective.

WORKFORCE

In connection with financing new grocery stores, we were also cognizant of the fact that economic development and workforce development are inextricably connected, as our partner at the Newark Workforce Investment Board (NWIB) notes frequently. Accordingly, we negotiated "first source" hiring provisions into our loan agreement, stipulating that the borrower must interview

Newark residents first for a five-day period of time. We also successfully applied for a grant from the Victoria Foundation to create a resident job training program at various supermarkets and small grocers in the city.

We worked closely with the NWIB. In the case of Food Depot, the local Urban League and NWIB assisted in preparing candidates for employment consideration, vetting resumes, coordinating drug testing, and acting as a liaison between the developer and

the job seekers. As a result of this work, over 100 Newark residents received 40 hours of training in customer service, retail skills, and general job readiness. The fact that over 30 residents were hired for full and part time positions is a win for the city.

The Victoria Foundation grant that BCDC received was dedicated to reducing the store operators' costs of training local candidates. We dedicated a portion of the Victoria Foundation grant to better understand how to get residents management positions in new grocery stores and recently completed an assessment to understand the position descriptions and the training needs of four grocery stores currently operating in the city.

RESULTS

Food Depot cut its ribbon for a grand opening on February 28, 2012 and is achieving its revenue projections. It is a nice new anchor and serves as the first new full service grocery store in over 20 years in the central ward of our city.

Shortly after Food Depot opened, BCDC provided a \$300,000 subordinated loan for another new independent grocery store in Newark, Seabra Foods, expected to create 55 jobs. Like Food Depot, Seabra was an adaptive



Mayor Cory A. Booker, members of the Newark Municipal Council, and other dignitaries at the Food Depot Ribbon Cutting on February 28, 2012.

reuse project completed by a businessman who operated other urban and ethnic grocery stores in Newark and surrounding areas.

The entrepreneurs converted an obsolete one-story office building into a 26,000 SF grocery store with large fresh meat and produce sections. In addition to fresh food, Seabra also has a built-in coffee café with a bar, flat screen television, and sofas and tables for reading, working, and relaxing. This grocery store is a community asset in various ways.

A third store, Key Foods, opened in December 2012 and is expected to create 35 jobs.

OBSERVATIONS

The supermarket attraction tools were somewhat unique to Newark's landscape but replicable in other cities:

- Look to regional and independent grocery store operators and suppliers instead of targeting national or name-brand operators.
- Work closely with developers and operators on site control issues, assisting them with entitlements and permitting and analyzing potential financial incentives to fill pro forma gaps.
- Subordinate loans equal to 15-25 percent of the project cost are a potent tool to jump start development. Provide gap financing, not gorge financing and get the project started.
- The direct benefits of new grocery stores are obvious: increasing fresh foods access, job creation, tax ratable, and the fact that they are commercial retail anchors and community assets.

Interestingly, BCDC now has real interest from the national supermarket operators. Mayor Booker recently mentioned that Whole Foods has identified one or more sites of interest. Shoprite, Walmart, and Sav-A-Lot are in the due diligence stages of locking in on locations in the city. Therefore, the hope is that one or more of these national grocery operators may open new stores in the next 12-18 months.

- There are important indirect benefits, as well. For example, residents save money (and reduce their carbon footprint) because they no longer need to travel as far for food. Grocery stores also catalyze other new development.

Interestingly, BCDC now has real interest from the national supermarket operators. Mayor Booker recently mentioned that Whole Foods has identified one or more sites of interest. Shoprite, Walmart, and Sav-A-Lot are in the due diligence stages of locking in on locations in the city. Therefore, the hope is that one or more of these national grocery operators may open new stores in the next 12-18 months.

Instead of using a caravan, BCDC found a way out of its food desert through patience, relationship-building, operator research, targeted subsidy programs, and above all, a sense of humor. ☺



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revitalizing regional

ECONOMIES BY ACCELERATING ENTREPRENEURIAL SUCCESSES

By Ray Leach, Steve Berger, Samantha Fryberger, Annie Zaleski, and Kathryn Hanna

THE PROBLEM

Northeast Ohio grew into one of America's most prosperous regions by the late 1800s and early 1900s largely because of its entrepreneurial spirit. The area was on the forefront of innovative manufacturing processes and trends, particularly in the burgeoning steel, automotive, rubber, and petroleum industries. In Greater Cleveland, innovators such as Henry Sherwin and Edward Williams revolutionized paint production by founding Sherwin-Williams in 1866, while auto industry innovators Alexander Winton, James Ward Packard, and Thomas White called Northeast Ohio home. And thanks to B.F. Goodrich and Goodyear Tire & Rubber co-founders the Seiberling brothers, by the turn of the 20th century Akron had become the "Rubber Capital of the World."

But the region's prosperity and population waned as the 20th century progressed. Among other things, changes within the manufacturing industry (including technological advancements and restructuring) led to hundreds of thousands of lost jobs. This contributed to persistent economic decline and the slowing of population growth¹, because after these jobs disappeared, companies weren't available to hire these displaced workers – many of whom had outdated skills and/or a lack of education.

Although corporations established more than a century ago still employ tens of thousands of Northeast Ohioans, early in the last decade, region-



JumpStart offers intensive business assistance to Greater Cleveland's entrepreneurs, just one of the many services the nonprofit offers within the region.

al leaders recognized a significant need to create new companies. According to a late 2012 Kauffman Foundation report, "the percentage of hiring based on job creation is much greater at startups than at more mature firms. Four out of every 10 hires at young firms are for newly created jobs."²

Rather than focus on strategies that produce short-term gains, these leaders looked toward developing a sustainable model for both economic growth and job creation. As a result, it was determined that one of the best ways for Northeast Ohio to revitalize its economy – and to create globally competitive jobs – was by encouraging entrepreneurship: accelerating the formation of high growth companies and facilitating the growth of existing young businesses. Early on, the region recognized

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HOW JUMPSTART'S WORK IS TRANSFORMING NORTHEAST OHIO AND BEYOND

Greater Cleveland lost both jobs and population during the 20th century due to changes within the manufacturing industry. To encourage economic growth and job creation, Northeast Ohio leaders committed resources to encourage and accelerate entrepreneurship. This article discusses the formation and impact of the nonprofit venture development organization JumpStart, which has helped formulate, implement, and execute strategies to accelerate entrepreneurial successes. In addition, the article explains how JumpStart is applying this unique economic development model in other areas of the country. In 2012, JumpStart's project received a Gold IEDC Excellence in Economic Development Award in the category of Entrepreneurship for communities with populations of greater than 500,000.

that this process requires regional collaboration, opportunity identification, and the development of an entrepreneurial support ecosystem comprised of investors, educators, resource providers, idea creators, funders, advocates, and others.

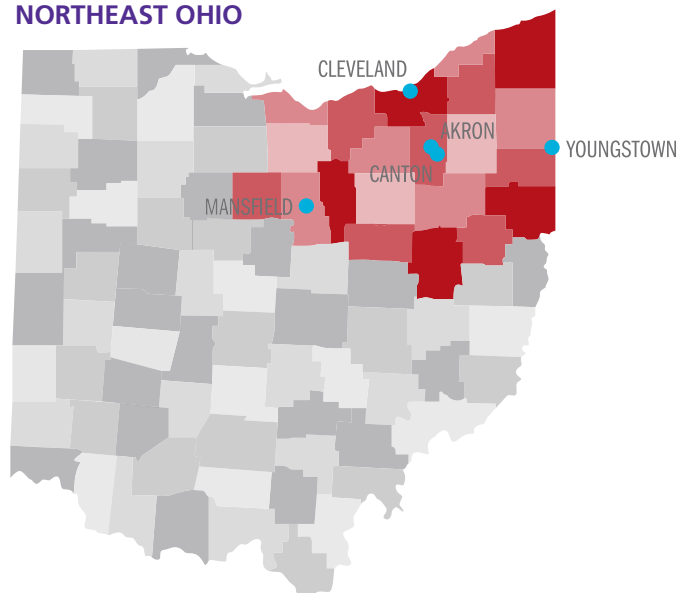
This article outlines the formation of the nonprofit venture development organization JumpStart, which has helped formulate, implement, and execute strategies to transform Northeast Ohio's entrepreneurial landscape. In addition, the article details the impact the organization's work has had on the region. Finally, the article explains how JumpStart is applying this unique economic development model in other areas of the country and the takeaways JumpStart has gleaned from its work in these regions.

THE JUMPSTART MODEL – AN OVERVIEW

In 2003, NorTech – a Cleveland-based economic development nonprofit founded in 1999 to drive the development of regional tech-based innovation clusters – formed an Entrepreneurship Task Force comprised of business and university leaders, capital providers, and entrepreneurial assistance organizations. This task force presented a study that identified several key factors hindering entrepreneurship in Northeast Ohio; among them, a shortage of early stage capital, a dearth of beneficial networking opportunities, an inability to translate ideas into competitive business concepts/plans, and a lack of support from the business community. In addition, the study indicated the perception of a skilled talent shortage, observed ineffective marketing of Northeast Ohio's strengths, and noted a historical lack of positive regional recognition for successful entrepreneurs.

In response to these findings, NorTech and Case Western Reserve University, a leading independent research university located in Cleveland's urban core, partnered to launch a nonprofit venture development organization called JumpStart. The original grants to found the organization came from the Cleveland Foundation, Cleveland Tomorrow, and the George W. Codrington Foundation. Additional funding came from the Ohio Department of Development's Ohio Third Frontier program, a \$2.3 billion tech-based economic development initiative with

NORTHEAST OHIO



two main goals: supporting existing industries transforming themselves with new, globally competitive products and fostering the formation and attraction of new companies in emerging industry sectors.

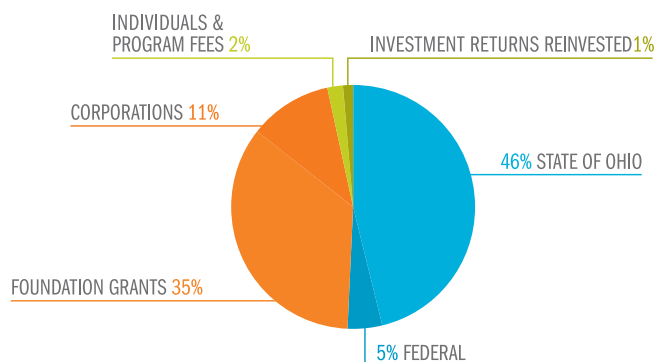
JumpStart's initial mission centered on delivering vital resources to entrepreneurs and the community, in order to accelerate the growth of early stage businesses and ideas into venture-ready companies that could go on to contribute to the regional economy – generating revenue, taxes, and new jobs. And today, JumpStart focuses on accelerating the success of diverse entrepreneurs, their high growth companies, and the ecosystems supporting them. In Northeast Ohio, the organization and its partners do this while leveraging the strengths of the region's robust medical, educational, and manufacturing infrastructure.

JumpStart has continued to operate as a public, private, and philanthropic partnership with support from the following: Burton D. Morgan Foundation, Richard J. Fasenmyer Foundation, FirstEnergy Foundation, Forest City Enterprises, Inc. Charitable Foundation, Fund for Our Economic Future, Greater Cleveland Partnership, KeyBank Foundation, and many others. The state of Ohio has also consistently supported the business assis-



JumpStart directly provides resources and assistance to Northeast Ohio entrepreneurs leading high growth, early stage companies.

SOURCE OF JUMPSTART FUNDS (FOR NORTHEAST OHIO WORK)





JumpStart's Cleveland-based offices are located in the city's urban core. It's part of the burgeoning Health Tech Corridor, a cluster of world-class hospitals, business incubators, academic centers, and high-tech companies focused on innovation.

tance and investing activity of JumpStart and its regional collaborators via two Ohio Third Frontier-funded initiatives: The Entrepreneurial Signature Program and Pre-Seed Fund Capitalization Program.

Very early on, the organization saw the importance of participating in national conversations around innovation. Today, JumpStart's current and founding CEO, Ray Leach, serves as a member of the U.S. Commerce Department's National Advisory Council on Innovation and Entrepreneurship, which supports the national innovation strategy by developing policies that foster entrepreneurship. He is also on the board of the National Venture Capital Association, the voice of the country's venture capital community. JumpStart has been able to help Northeast Ohio's tech scene evolve in part because it's been able to raise the visibility of the needs of the region from an investment and entrepreneurial standpoint.

ENTREPRENEURIAL STRATEGIES

Intensive Assistance to Entrepreneurs

To achieve its goals, JumpStart nurtures tech entrepreneurs that could go on to become the region's next generation of corporate employers. In fact, the organization's work begins and ends with entrepreneurs. With the support of its public, private, and philanthropic partners, JumpStart collaborates with a host of resources: incubators, investors, accelerators, area nonprofits, government groups, investors, corporations, and higher education institutions.

The nonprofit itself directly provides resources and assistance – often coupled with a financial investment – to Northeast Ohio entrepreneurs leading high growth, early stage companies, to help them successfully identify advisors, find clients, and raise the capital they need to generate revenue and jobs more quickly. Young client companies can access help that may include mentoring from seasoned entrepreneurs and executives, investor introductions, talent-attraction services, and marketing guidance (website design/analysis, press release writing/dissemination and graphic design help). During its eight

years in existence, JumpStart has given intensive service to 432 client companies. These companies are early stage, high-growth, tech-based startups predominantly in the healthcare, cleantech, information technology, and business services sectors.

Focus on Inclusion

Across all of its efforts, JumpStart focuses on developing additional initiatives around the needs of women, minority, and inner city entrepreneurs, because it believes the companies and economic opportunities these groups develop can provide differentiated, community-specific benefits. Unemployment is up to three times greater in the U.S. minority population; however, minority entrepreneurship increased 74 percent between 1996 and 2010³, with minorities accounting for 40 percent of entrepreneurs in 2011.⁴

Since minority firms employ minority workers at twice the rate of non-minority workers, helping minority and inner city entrepreneurs build larger-scale firms holds great promise for this often disconnected community. Because JumpStart recognizes that the country cannot be competitive in a global economy with only half of its population meaningfully contributing to economic output, it has instituted minority outreach, targeted communications, recognition programs, technical assistance, access-to-capital, and other outcome-based initiatives.

Supporting the Entrepreneurial Ecosystem

JumpStart also expands the resources in and ensures the sustainability of the entrepreneurial ecosystem in a variety of ways, including:

- Marketing the region's young companies to national investors,
- Building capacity for support organizations by providing them with pro bono professional services,
- Helping communities create hyper-local funds to invest directly in their entrepreneurs,
- Collaborating with higher education institutions to introduce new entrepreneurs into the ecosystem, and
- Participating in national conversations on innovation, entrepreneurship, and venture capital.

Advocacy and Education

JumpStart advocates for entrepreneurial resources and shares its experience with communities across the country, in order to gain new insights, accelerate entrepreneurial success nationally, and increase funding to Northeast Ohio, making continued progress for this

During its eight years in existence, JumpStart has given intensive service to 432 client companies.

These companies are early stage, high-growth, tech-based startups predominantly in the healthcare, cleantech, information technology, and business services sectors.

growing ecosystem even more sustainable. As mentioned earlier, members of the senior leadership team sit on national boards, in addition to contributing thought-leadership articles about entrepreneurship and investing from a Midwest perspective on *Huffington Post*. With help from a Venture Capital Task Force, the organization also helps track equity investing in Northeast Ohio. It submits this collected data to national reporting agencies and creates an annual report to share insight into the region's progress with investors, entrepreneurs, and the community.

Within Northeast Ohio, JumpStart connects to other entrepreneurial resource organizations to efficiently and effectively deliver resources to entrepreneurs. In conjunction with this work, the organization and its partners regularly provide educational sessions and actively seek out opportunities to share information about entrepreneurship in the region with civic groups, high schools, colleges, and economic development groups – presenting publicly one, two, three times a week. JumpStart has made a conscientious effort to create awareness in the region: To date, it's reached 48,707 individuals to educate them on the importance of entrepreneurship and the resources available in Northeast Ohio.

Creating Community

JumpStart champions the region and its partners and advances the conversation around innovation in a variety of ways. The organization tells the stories of young companies and shares advice from established entrepreneurs on its blog (jumpstartinc.org/blog) in the form of reports, podcasts, videos, and written posts. It also consistently hosts or presents networking sessions for entrepreneurs. To share these events and stories, the organization utilizes social media, social-gated platforms, and monthly email newsletters.

The venture development organization also sponsors what's become an annual community-wide entrepreneur expo which celebrates the companies with the potential to transform the region's economy. The 2012 expo was the biggest one yet: 117 early stage tech companies presented to more than 1000 investors, entrepreneurs, business leaders, media, and interested community members. Marketing Northeast Ohio's resources, events, and strengths is helping to improve the perception of the region and to foster community spirit.

COMMUNITY IMPACT

Jobs, Capital, and Revenue

Since 2004, the organization has committed \$26 million to 69 pre-seed technology companies and provided thousands of hours of expert assistance to another 350. Collectively, these companies, many of which are still very early in their development, have already created 1,500 direct jobs and raised nearly \$500 million in capital. In 2011, they generated collective annual revenue of \$95 million, while the reported average salary for jobs created by JumpStart client companies last year was \$65,000.

Increased Investment Activity

The efforts of community leaders, JumpStart, and its partner organizations have also led to increased investment activity. Since 2006, 17 venture capital firms and five angel funds have opened new offices in Greater Cleveland. Six communities (Wooster, Barberton, Canton, Akron, Cleveland, and Mansfield) have created new funds to invest in their local entrepreneurs.

North Coast Angel Fund, which was started and supported by JumpStart, has grown to become the country's fifth-largest organized angel group. Despite a tough healthcare fundraising environment nationally, Northeast Ohio companies in that sector accounted for 61 percent of the equity capital raised in the region in the last five years. In fact, 134 equity investors (67 percent from outside of the Midwest) have invested more than \$1 billion in Northeast Ohio companies over the last five years.

Inclusive Gains

JumpStart's inclusion-focused efforts have also paid dividends. The organization has helped 1400 minority, inner city, and women entrepreneurs secure resources to accelerate company growth and helped inclusive entrepreneurs raise \$95 million. As a result of this high-impact minority business support, Northeast Ohio's investment in the companies of diverse entrepreneurs is three times the national rate. Recognition programs such as the Charter One Launch100 Leadership Circle, which honor entrepreneurs committed to turning their business ideas into impactful minority-owned or -led companies, celebrate diverse entrepreneurs and increase their visibility in the community.

More Entrepreneurial Resources

In the past several years, Northeast Ohio's robust startup activity spurred an increase in the type and amount of resources available to entrepreneurs. Organizations both national (Blackstone LaunchPad, Goldman Sachs 10,000 Small Businesses, and Venture for America) and regional (Bad Girl Ventures, Bizdom) have opened up shop in the region.



Dr. Rahul Aras is CEO of JumpStart portfolio company Juventas Therapeutics, a clinical-stage regenerative medicine startup developing treatments for both chronic heart failure and critical limb ischemia.



Sean Arnold, CEO of CFRC Water and Energy Solutions, a company that developed a sensor-based showerhead that conserves water and reduces energy costs.



Maria Bennett, President and CEO of JumpStart portfolio company SPR Therapeutics, which recently received the CE mark for its Smartpatch® system, a peripheral nerve stimulation (PNS) therapy used for the treatment of shoulder pain.



(L-R) Elevate Ventures management team members Ting Gootee and Steve Hourigan. Elevate Ventures is a non-profit venture development organization launched by the state of Indiana in April 2011.

ADAPTING THE MODEL

As JumpStart's work evolved in Northeast Ohio, the organization realized it was using public, private, and philanthropic collaboration to fuel collective impact. As defined by the *Stanford Social Innovation Review*, collective impact is "the commitment of a group of important actors from different sectors to a common agenda for solving a specific social problem." Collective impact initiatives vary across sectors, but on a general level, they pair comprehensive plans with measurable action. Now, the organization is sharing this approach to help economic development efforts in other regions.

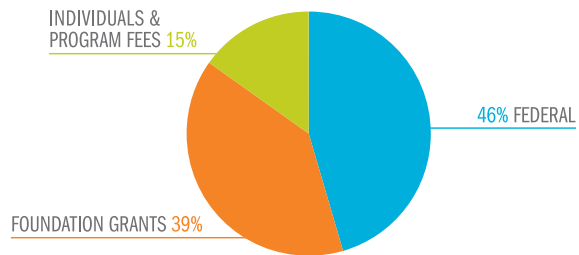
The U.S. needs to create 21 million full-time jobs by 2020 to bring national unemployment back to pre-recession rates.⁵ This has resulted in a shared urgency among leaders across the nation to create jobs. In 2010, attracted by Northeast Ohio's progress and success, the U.S. Commerce Department's Economic Development Administration, the John S. and James L. Knight Foundation, and the Surdna Foundation asked JumpStart to apply the lessons it's learned in Northeast Ohio in other regions that could benefit from entrepreneurship contributing to their economic competitiveness.

As a result, the organization now also helps other regions develop high-impact economic development approaches under the umbrella of its JumpStart America initiative, part of the Startup America Partnership. To help these regions tap into their entrepreneurial potential, JumpStart brings together entrepreneurs and investors, as well as private, institutional, philanthropic, and economic development organizations, to develop, capitalize, and implement regional entrepreneurship plans. Each plan, which is designed with input from the region's stakeholders, is tailored to a community's specific innovation assets and needs and is focused on its unique areas of opportunity. However, the overarching purpose of the JumpStart America work is always to transform regional economies by accelerating the successes of diverse entrepreneurs, their high-impact companies, and their supporting ecosystems.

The organization functions in an advisory capacity within these regions while it completes the research needed to develop its strategic plans. In completing its work, the organization engages with a diverse cross-section of each region's community: It has personally interviewed approximately 800 individuals and reached more than 6,400 people through using other primary research methods such as surveys, focus groups, and community

To date, JumpStart has completed plans for Northern Indiana, Minneapolis Saint Paul, Upstate New York, and Detroit/Southeast Michigan; plans for Duluth/Arrowhead, Akron, and Baton Rouge are nearing completion. In addition to these regions, the organization is also working in Macon/Central Georgia and St. Louis.

JUMPSTART AMERICA OVERALL FUNDING (FY 2011 & 2012 COMBINED)



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It's important to note that each individual region is responsible for implementing, evolving, and sustaining its economic development approaches, as well as operating the organizations or programs formed in response to any plan created. In the end, JumpStart wants to help a region develop the resources and infrastructure it needs to help itself.

LESSONS LEARNED

Customization Is Key

While there are certain programs and services that are proven to help early stage entrepreneurs, JumpStart recognizes there is no "one-size-fits-all" venture development model that can be syndicated and replicated to work everywhere. No one solution or formula is applicable to all regions; a region must look at its particular assets, strengths, and needs and create a plan with a built-in common agenda geared toward encouraging maximum growth in its most promising areas. In a general sense, a more agrarian region may approach entrepreneurship differently than would a university community or an area surrounding an urban core.

More specifically, in Baton Rouge, it made sense to leverage the region's existing incubators, build a regional network to enhance cooperation, and provide for-profit funding to support startup growth and development. But just as each region boasts unique strengths, it must overcome unique weaknesses. In Southeast Michigan, it made sense to address the need for increased first-in investment funding (a company's first third-party investment, typically an institutional investment).

In other cases, the distinctive geographic or cultural characteristics of a region determine the best course of action. For example, Upstate New York encompasses a very large area comprised of 27 counties. To reach all

of the population centers within the region, its organization, Launch New York (Launch NY), needs to work closely with many other organizations. Customization of this kind influences all of the following lessons.

Leverage a Region's Existing Resources

Hospitals and universities in the St. Louis area have long been known for their medical and scientific research, particularly in the biomedical and agriculture fields. The region's leaders made sure to leverage these assets when considering economic development. In late 2011, Washington University in St. Louis, BJC HealthCare, and the nonprofit St. Louis Life Sciences Project committed \$30 million over five years to two organizations: BioSTL and a nonprofit affiliate, BioGenerator. These funds will support pre-seed/seed investment, assistance, physical facilities, and regional collaboration, with the overarching goal of advancing the bioscience industry in and around St. Louis. Today, the region possesses emerging information technology and green technology sectors due to the ongoing support from established institutions, which has facilitated mutually reinforcing development activities.

Upstate New York also has a solid educational infrastructure. The region's universities spend over \$1.5 billion in research annually, and they have strong state support for moving university commercialization into the marketplace. This creates many opportunities for technology startups to develop these innovations but also requires they receive intensive, early stage business assistance and high risk funding. A major portion of JumpStart's efforts in the region focused on identifying new ways to give these companies the help and capital they need to grow and be successful.

In other cases, existing assistance services must sometimes be expanded so entrepreneurs are better able to take full advantage of a region's resources. For example, even though there are investment dollars available, critical early stage investments are often inaccessible to Southeast Michigan entrepreneurs because of constraints placed on awards. In this instance, to advance companies through product commercialization, resources must be expanded to help bridge the funding gap, a gap commonly referred to as the "valley of death."

Some of the regions in which JumpStart works have resources already at their disposal; however, in many cases, there aren't enough resources available to meet the needs of entrepreneurs. Identifying the areas in which a region has room for opportunity is critical to JumpStart America efforts.

Identify Areas of Opportunity

Some of the regions in which JumpStart works have resources already at their disposal; however, in many cases, there aren't enough resources available to meet the needs of entrepreneurs. Identifying the areas in which a region has room for opportunity is critical to JumpStart America efforts. For instance, in Southeast Michigan, a regional team of advisors recognized a gap in the funding available to pay for expert assistance, which meant some companies did not have access to experienced mentors to guide their development. In Detroit, an assessment of regional assets and outcomes revealed a need for more resources to serve minority and female entrepreneurs starting high growth companies, a critical component to a strong entrepreneurial ecosystem.

Engage a Diverse, Large Cross-Section of People

Each JumpStart America regional project is guided by its own local advisory group. This is typically a diverse group of leaders culled from city or county government, academic institutions, foundations, for-profit businesses (often large employers or the medical community), entrepreneurial support organizations and, of course, entrepreneurs and investors. These advisory groups come together at the project's inception and provide guidance about and insight into the region's entrepreneurial climate. This information and collaboration is critical to JumpStart as it shapes the recommendations included in the regional entrepreneurship plans.

The organization's ongoing work in Upstate New York has especially benefitted from continuous communication amongst an active and engaged advisory group. Its core members come from a cross-section of professions representing the areas of economic development, academia, business, and philanthropy, among others. Because of its diverse composition, the advisory group grasped the benefits inherent in the idea of public, private, and philanthropic partnership. Their input was critical to JumpStart's work in the region, which directly manifested itself in the recent unveiling of Launch New York (Launch NY), a nonprofit with about \$4 million in funding commitments geared toward assisting high growth entrepreneurs.

In St. Louis, the JumpStart planning phase has involved a steering committee and an advisory group comprised of more than 36 individuals in monthly working group meetings to define key issues, propose programmatic imperatives, and develop action agendas.

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NORTHERN INDIANA: A CASE STUDY

In June 2010, the Economic Development Administration, the Surdna Foundation, and the John S. and James L. Knight Foundation awarded JumpStart \$2.5 million to use its experience supporting Northeast Ohio entrepreneurs to help six Midwest regions, including Northeast and Northwest Indiana, do the same. The nonprofit's collaborative approach in Northeast Ohio especially resonated with leaders representing North Central Indiana, who wanted to participate in the project. As a result, JumpStart, the Indiana Economic Development Corporation, and regional leadership raised funding to include North Central Indiana.

The Challenge

Northern Indiana's economy has been historically dominated by traditional manufacturing. Globalization and improvements in industrial process productivity led to a general manufacturing employment decline, although pockets of regional growth remain. A statistical overview of the previous decade is illuminating:

- Between 2000 and 2009, Northern Indiana's total employment decreased by 12 percent while Indiana experienced a 7.4 percent decline and the United States economy contracted by only 1.1 percent.
- From 2000 to 2009, the region's manufacturing employment decreased by 35.4 percent, which was a faster rate of decline than experienced in both Indiana and the U.S.
- In 2009, unemployment in Northern Indiana stood at 11.2 percent compared to the United States average of 9.6 percent.
- Northern Indiana's per capita income decreased by 3 percent from 2000 to 2009, and is now 85 percent of the national average.

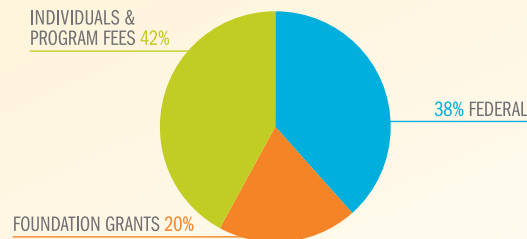
Initially, the region lacked the infrastructure and culture to address these challenges through entrepreneurship and new business creation. There is very little venture capital, as most angel activity focuses on existing asset-based businesses. In addition, each of these three areas saw itself as a separate entity, fragmentation which further hindered collaboration within the region. But the state of Indiana and the Indiana Economic Development Corporation recognized the need to focus on entrepreneurship and provide more resources and leadership, and Northern Indiana had several things on its side to make it an ideal place to implement economy-transforming initiatives: a legacy of entrepreneurial success and a combination of successful business people, capable economic developers, and interested investors.

The Model

Initially, the creation of three separate plans was considered (one each for Northeast, North Central, and Northwest Indiana). However, the sporadic and diverse level of deal flow, relatively low population density, and similar challenges shared among the regions created large hurdles for developing a separate plan in each region. Combining the three areas into one region served by a single venture development organization allowed the region to share costs, enables more funding to go directly to entrepreneurs, and provides the ability to deliver highly specialized services.

Working with the Indiana Economic Development Corporation, JumpStart saw potential for an agreement with a

OVERALL INDIANA FUNDING (ALL REGIONS COMBINED)



new nonprofit venture development organization called Elevate Ventures. The state of Indiana launched Elevate Ventures in April 2011 after recognizing its ecosystem required more than capital to support entrepreneurs. The organization was originally incorporated as a way to deliver investment and assistance to startup companies throughout Indiana.

Elevate's programs are funded by a combination of several sources: existing funds from the state-run 21st Century Fund, as well as new dollars from the federal government; state agencies (Indiana Economic Development Corporation); and from local corporate, economic development, and philanthropic sources.

The Plan

In fall 2011, JumpStart delivered a Northern Indiana entrepreneurship plan. The plan targeted two measurable goals: growing more high potential companies and building a stronger ecosystem to support them. Elevate Ventures was tapped to manage the plan's implementation, ensuring it translated into immediate resources for entrepreneurs. The partnership made sense: Several months before, Elevate took over management for Indiana's 21st Century Fund, which invests in high potential life sciences, information technology, and advanced manufacturing companies.

In the wake of JumpStart's recommendations, the region deployed entrepreneurs-in-residence, pledged investment capital to Northern Indiana deals, and launched an aggressive marketing and outreach program. In summer 2012, Elevate also partnered with IdeaCrossing, a free online portal developed by JumpStart that connects entrepreneurs to potential business mentors, investors, and service providers. This collaboration allows Elevate to continue providing funding opportunities to Indiana startups, while giving its clients access to new regional resources and other long-term business opportunities.

Conclusion

These Northern Indiana programs involved a commitment of resources from state government, a federal program, local economic development organizations, local industries, and local philanthropic foundations. More than \$15 million has been pledged to support these activities over the next three years. While there is still much work to be done, early results show promising gains in the region. In the first nine months of the Quick Start implementation, the Northern Indiana regions increased their identifiable deal flow from less than 20 percent of the state's total to almost 50 percent.

The Plan Must Be Actionable

Anyone can write a plan. However, without funding, community support, and leadership, a plan is not actionable. JumpStart only aims to develop plans that can be translated into real action in support of entrepreneurship.

St. Louis has set a goal of raising \$100 million to support entrepreneurship assistance and investment from local private sector industry and philanthropic organizations. Fundraising is being led by the St. Louis Regional Chamber and Growth Association, which is well-positioned to reach the audiences with the resources to fund the necessary entrepreneurship assistance programs.

In Indiana, the state's economic development organization created a separate statewide venture development organization to implement a regional entrepreneurship plan for Northern Indiana. This organization, known as Elevate Ventures, followed many of JumpStart's operational recommendations when creating the structure and vision of the organization. [For a closer look at this region, see sidebar.] And in Upstate New York, the region has attracted over \$3 million in philanthropic support for regional foundations to implement its entrepreneurship plan.

CONCLUSION

Eight years after JumpStart launched, national funders and other regions across the country are interested in gaining insight from lessons learned in Northeast Ohio to accelerate their economic competitiveness. However, Northeast Ohio is still only about midway through its own entrepreneurial transformation. The region's entrepreneurial ecosystem continues to evolve and grow, thanks in part to the collaboration that resulted from recognizing no one organization has enough resources to move the needle by themselves and also because of significant financial support from the state.

In 2012, Ohio made multi-year commitments of \$11 million to four Northeast Ohio organizations to invest directly in entrepreneurs and, separately, \$12 million to JumpStart and 16 of its partners to provide intensive business assistance to young companies. Since state dollars require a 1:1 match, this means \$46 million will be available over the next two to three years for the benefit of tech-based entrepreneurs in Northeast Ohio. These funds have fueled activity in Ohio: New entrepreneurial resources are popping up in the region, startups that received assistance or investment early on are gaining significant traction in their markets, and the region's tech scene is earning national recognition.

In the coming decade, JumpStart's role in the region should be greatly diminished. That's a positive thing: It indicates Northeast Ohio will have a self-sustaining entrepreneurial ecosystem in place, in which entrepreneurial successes are continuously fueling other entrepreneurial successes. 

ENDNOTES

- 1 http://books.google.com/books?id=x2WflbREgLkC&pg=PA100&lpg=PA100&dq=ohio+population+lost+20th+century&source=bl&ots=TJBywVdS3G&sig=tkNKaE05ft0w5mp7mhHiNiQ5LUc&hl=en&sa=X&ei=PRnSUTFBuO_0AGBiIHQAQ&ved=0CHgQ6AEwCA#v=onepage&q=ohio%20population%20lost%2020th%20century&f=false
- 2 <http://www.kauffman.org/newsroom/young-firms-lead-recovery-in-hiring-and-job-creation-according-to-kauffman-funded-census-brief.aspx>
- 3 figure obtained using data collected by the Kauffman Foundation: <http://www.kauffman.org/research-and-policy/kiea-interactive-2011.aspx>
- 4 <http://www.kauffman.org/research-and-policy/kiea-interactive-2011.aspx>
- 5 http://www.mckinsey.com/insights/mgi/research/labor_markets/an_economy_that_works_for_us_job_creation

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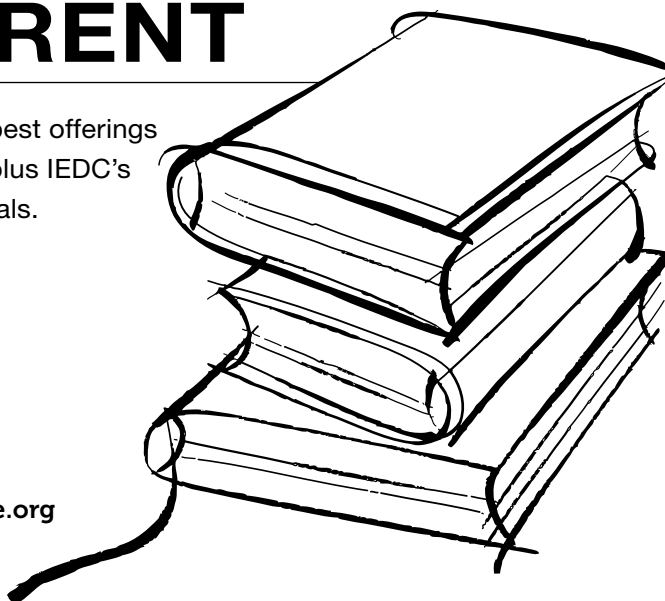
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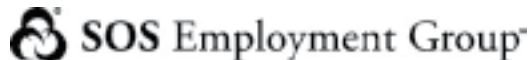
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NEWS FROM IEDC

NEW EDRP REPORT ON FUNDING ECONOMIC DEVELOPMENT ORGANIZATIONS

IEDC's internal think tank, the Economic Development Research Partners (EDRP) Program, launched its latest research report at the 2013 Leadership Summit in Orlando, FL—"New Realities in Funding Economic Development Organizations." The report is part of a series of research papers themed, Adapting and Thriving: New Realities for Economic Development Organizations.

The latest paper focuses on shifts and trends in EDO revenue streams, both public and private, and includes recommendations from experts, plus case studies from organizations that have successfully implemented innovative funding programs. The report is available for download free for members on the IEDC website and in print for \$45 to non-members.



IEDC LAUNCHES FREE DISASTER RECOVERY WEBINAR SERIES – AVAILABLE ON RESTOREYOURECONOMY.ORG

IEDC launched the 2013 Disaster Preparedness and Economic Recovery Webinar Series in January with a webinar on "Financing Critical Infrastructure and Redevelopment Projects Following a Major Disaster." IEDC is preparing for future webinars on topics such as crisis communication, post-disaster economic recovery planning, disaster preparations for an EDO, recovery in rural areas, navigating federal grants and resources, and small business financing after a disaster.

Check out future webinars or previously recorded webinars in the "Learn" section of RestoreYourEconomy.org.

IEDC RECEIVES EDA GRANT FUNDING FOR DISASTER RECOVERY EFFORTS IN THE U.S. SOUTHEAST AND NORTHEAST

IEDC was recently awarded three grants totaling \$2.1 million from the U.S. Economic Development Administration (EDA) to work on disaster recovery efforts for communities impacted by natural disasters in FY2011. Two grants are from the EDA Atlanta office for the Southeast and the third grant is from the EDA Philadelphia office for the Northeast.

This investment will help IEDC and NADO develop a post-disaster economic recovery program, which will include peer-to-peer learning, mentoring, technical assistance, and best practice information dissemination. The purpose is to assist impacted communities in identifying recovery and resilience strategies, accessing resources, and building capacity for long-term economic recovery.

NEW IEDC REPORT ON ECONOMIC DEVELOPMENT OPPORTUNITIES IN CLEAN TECHNOLOGY

Clean technology has the potential to impact economic development through job creation, attraction and retention of high talent workers, increased revenue, and investment in local industry. In a two-part report launching in Spring 2013, IEDC will offer economic developers insights on three clean tech sectors: electric vehicles, net-zero energy homes, and offshore wind – based on in-depth research as well as feedback from industry experts and economic developers.

The report, made possible by a grant from the Rockefeller Brothers Fund, will include an analysis of sector-based opportunities for market growth and job creation, strategies for working with key players and partners, and a discussion of hurdles and solutions to development.

AEDO PROGRAM ADDS 32nd MEMBER

IEDC is proud to announce the accreditation of the Richardson Eco-



nomic Development Partnership (REDP). Located in Richardson, TX, REDP has been led by CEO Bill Sproull since 2004. The organization represents the high quality and dedication to excellence that the Accredited Economic Development Organization (AEDO) program demands.

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. For more information about becoming one of the AEDO program's members, now totaling 32, please contact Tye Libby at tlibby@iedconline.org.



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This is one of a number of ways that you can pursue recertification credits. Submissions are accepted throughout the year. The Journal Editorial Board reviews all articles and determines which articles are accepted for publication.

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



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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

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

2013 TRAINING COURSES

Business Retention and Expansion
March 21-22
Madison, WI

Economic Development Marketing & Attraction
April 4-5
San Antonio, TX

Economic Development Finance Programs
April 10-12
Alexandria, VA

Entrepreneurial & Small Business Development Strategies
April 18-19
Atlanta, GA

Business Retention and Expansion
May 2-3
Anchorage, AK

Real Estate Development and Reuse
May 16-17
Madison, WI

Managing Economic Development Organizations
May 23-24
San Antonio, TX

Technology-led Economic Development
June 6-7
Ann Arbor, MI

Business Retention and Expansion
June 20-21
Baltimore, MD

Workforce Development
July 18-19
Madison, WI

Economic Development Credit Analysis
July 31-August 2
Minneapolis, MN

Economic Development Strategic Planning
August 15-16
Madison, WI

Business Retention and Expansion
August 29-30
Atlanta, GA

Entrepreneurial and Small Business Development Strategies
September 12-13
Baltimore, MD

Real Estate Development and Reuse
September 19-20
Denver, CO

Economic Development Marketing & Attraction
October 3-4
Philadelphia, PA

Real Estate Development and Reuse
October 24-25
Atlanta, GA

Economic Development Strategic Planning
November 7-8
Phoenix, AZ

Economic Development Credit Analysis
December 4-6
San Antonio, TX

2013 CERTIFIED ECONOMIC DEVELOPER EXAMS

June 8-9
Ann Arbor, MI
[Appl. Deadline: April 8]

October 5-6
Philadelphia, PA
[Appl. Deadline: August 5]

2013 WEB SEMINARS

Capitalizing on the Economic Potential of Latino Entrepreneurs
March 27

The Art of Exporting and Taking Your Community Global
April 25

Ethics and Economic Development (free)
May 9

economic catalyst

FOR COMMUNITY TRANSFORMATION

By Tom Christopulos

INTRODUCTION

Ogden's story can be compared to a prize fighter who, seemingly invincible at the peak of his prowess, was downed by a punch to his blind side. In the early decades of the 20th century, at the peak of Ogden's prestige, the city was a major transportation center of the American West. Over 100 trains passed daily through Ogden, Utah. The trains brought more than tired tourists; they created a vibrant economy.

Banking and financial services moved to Ogden to support the commerce generated by the trains, and the military used the city as a vital lay-over for the movement of troops and supplies from the population centers in the East to bases on the west coast. In short, Ogden was the envy of cities throughout Utah, including, in many ways, Salt Lake City.

As the city tied all of its fortunes to the railroad industry, however, it left itself open to an economic sucker punch from its blind side. In the early decades of the 20th century, nobody could have imagined that the railroad, and all of the benefits it brought to Ogden, would disappear. But that is just what happened.

During the early 1950s, nobody in Ogden saw that the foundations of the city's economy were beginning to crumble. As the interstate highway system, along with affordable automobiles and cheap fuel, began to connect the United States, the railroad industry became increasingly obsolete. As fewer and fewer trains frequented Ogden's stations, the city's business and financial community began to leave as well. As cheap air travel began to connect the east and west coasts, the military establish-



Union Station – Ogden, Utah

ment no longer needed the city as a way station. Slowly but surely, Ogden became an abandoned town in the heart of America's "flyover" country.

In 1995, the Defense Department closed Defense Depot Ogden (DDO), which served as a way station for the military and was clearly no longer necessary. The closure of DDO marked the rock bottom of Ogden's economic decline. It seemed that the city's former "prize fighter" status was down for the count.

This article may be similar to many stories of military base reuse throughout the country but is different in the extent of the loss that a rail-transit-oriented economy had on the entire city. The knowledge that all communities can gain from Ogden's experience is not how to do a base reuse project but rather the necessity to understand that communities must continually be aware that economies change. That prerequisite reinvestment that needs to take place to be in front of that change requires significant forethought and because of that – risk.

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THE BUSINESS DEPOT OGDEN

Ogden City, which was once the economic epicenter of Utah, faced an economic decline so severe that it reduced one of the state's wealthiest cities to one of the state's most impoverished. That desperate economic condition grew even worse when Defense Depot Ogden, one of the primary job creators, was closed by the Department of Defense in 1995. The city undertook an innovative public-private partnership with Boyer Development Company that has acted as a catalyst for the renaissance of the community. The success of this partnership was recognized by the International Economic Development Council in 2012 with its Public-Private Partnership Award.

Ogden was left with the highest poverty rates in the state and the highest level of community environmental damage and blight, very similar to that seen in rust-belt states. The city faced the dilemma of creating a new, modern economy while still taking advantage of the old and decaying infrastructure that existed from its former industrial, infrastructure-heavy economic base. With little tax base to support the change effort, the city had to find a way to capitalize the new development. DDO provides a sterling example of how Ogden faced this challenge and how the creation of Business Depot Ogden helped provide a new identity and a different image for a struggling community.

DEFENSE DEPOT OGDEN HISTORY

Defense Depot Ogden began in 1940 as the Department of Defense recognized that the convergence of the Union and Rio Grande railroads, and the mass of railroad infrastructure in Ogden, created a strategic distribution point from which DDO could move goods and services throughout all then 48 states. To this end, DDO began as a temporary facility to support World War II.

Development costs at the facility were low, especially by today's standards. The DDO purchased 1,600 acres of land for just \$400,000. Ogden City contributed \$100,000. Initial construction included 45 miles of railroad, 57 miles of roadway, 5 million square feet of warehouse space, and 13 million square feet in open storage area. DDO was planned initially to support 6,000 jobs. Total developed costs were anticipated at \$6 million.

DDO reached its peak in 1943, employing 7,672 workers. Workers at the facility focused primarily on providing DDO supplies to 13 western states, although at its peak DDO provided supplies to all then 48 states. In 1957, the Internal Revenue Service (IRS) moved 2,400 additional workers to the facility, developing a new IRS Service Center for an original cost of \$5 million.

In 1958, DDO began a steady decline, essentially operating as a temporary storage facility until it was closed permanently by the BRAC Commission in 1995. When DDO was closed, Ogden City was left with 1,110 unused acres, including 156 buildings and 44 warehouses, encompassing 6.8 million square feet of under roof space and 2 million square feet in improved open storage space.

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Rundown buildings in downtown Ogden, 1950



A NEW BEGINNING

Although DDO's closure was not a total surprise, the shock of trying to replace its economic footprint was staggering. The once core economic engine of northern Utah was nearly totally dismantled with the loss of the passenger and most of the freight service and now DDO. In the years following the facility's closure, city leaders knew they had to find a way of stopping the city's economic spiral. Leadership decided that a new, modern industrial park could leverage the remaining infrastructure at DDO while simultaneously allowing the city to reposition itself for the next 50 years. And while they understood that something needed to be done, it took nearly four years to come up with a plan that the community could agree to. This plan presented many challenges.

As might be expected, DDO's 50-year-old infrastructure had decayed. Thirty-four miles of existing pipeline were in place, but it was undersized and could not handle the needs of a modern industrial park. Further, fire protection was completely undersized. The sewer system was badly decayed, and electrical service was provided by power poles and 800 electrical panels that had reached the end of their serviceable lives. Fifty percent of the 58,937 natural gas lines that provided central heating to the base were in poor condition, and many had developed leaks. The general condition of most of the buildings was good, but many were contaminated with asbestos. And there was significant environmental contamination.

THE PLAN

The city devised a simple plan based on the best information available on base closures at the time. Rather than creating a detailed community-driven strategy, the city decided to focus on defining the important roles for the parties involved. The roles were traditional – the city would provide infrastructure improvements and partner with a private developer to provide operational oversight. The strategies needed to drive the project then emerged based on the defined roles.



Business Depot Ogden, new construction and rail access

The city focused on providing infrastructure improvements on an as-needed basis, leveraging tax increment for the necessary bonding. The city issued its first tax increment bond for \$12 million for new infrastructure within the new phases of the park. It was clear that the city did not have sufficient industrial development and marketing experience to maximize the project's potential. As a result, the city chose to work with a private developer to provide operational and marketing expertise. In addition, the private developer would be responsible for the cost of vertical construction. The private developer would handle all day-to-day operations with the exception of certain major decisions, primarily investment related, that would have to be confirmed through the city.

Through an extensive selection process which presented few interested private developers, the city decided its partner would be the Boyer Company. The Boyer Company is a well respected development firm that has been active in the state of Utah for years, and Ogden felt that it was best suited to redevelop the base. Based on the shared roles played by both partners and the equity of financial risk for both parties, the city and Boyer agreed to equally split all profits generated by the new industrial park. The partnership was finalized in December 1999, and Business Depot Ogden (BDO) was born.

GENERAL OBJECTIVES AND GOALS OF THE PROJECT

After the partnership was finalized, Ogden and Boyer established specific objectives and goals for the project. These objectives and goals had to balance the demands of meeting the social needs of the community while simultaneously producing sufficient profit to compensate Boyer for its investment in the buildings.

One of the city's primary objectives was to avoid the trend of providing wholesale incentives for companies to locate at BDO. To address this objective, Boyer agreed to establish lease rates that would be competitive without the need for significant government incentives.

Another of Ogden's objectives was to establish a modern redevelopment pattern that would model future development for the entire city. Strict design guidelines were created to achieve this objective and were specifically

designed for the old structures to be enhanced by the newer buildings. The design guidelines were created in such a way that Ogden's natural environment, including beautiful mountain vistas and rivers, would be leveraged rather than hidden while accenting the history of the site.

It was important that BDO would be the catalyst to stopping the economic disinvestment the city had experienced for decades. This was perhaps the most difficult objective in that it required Boyer to establish lease rates that would allow additional redevelopment in the city to appreciate in value. All future incentives were to be built into the lease rates and could be significant. But because they were

internalized in the lease rates, the unintended result could be to reduce comparable rents and thereby subsequent values of other properties in the area. It was important, therefore, that lease rates were at or near market rates.

Ogden hoped to not only attract jobs directly at Business Depot Ogden but use the project as a tool in its business recruitment efforts throughout the city. Ogden believed that the success of BDO would show that after years of decay, businesses could once again not only succeed but thrive in Ogden. The city also hoped to use revenues from

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BUSINESS DEPOT OGDEN TIMELINE



© Look Through My Lens



1940-1941	1952-1954	1971-1973	1995	1997	1999	2006	Present
DDO construction begins. First warehouse complete	Construction of warehouses complete	DDO is the largest employer in Weber County	BRAC orders closure of DDO	DDO conveyed to Ogden City	Boyer and Ogden City partner to develop BDO. Reinvestment period begins	End of reinvestment period	Ongoing partnership between Boyer and Ogden City

the industrial park to create a pool of investment capital that could be used for additional public projects.

RESULTS

Although it is important to measure BDO's success based on the objectives outlined at the beginning of the project, it is impossible to measure the psychological impact that BDO has provided the city. The project has been a success in ways both quantitative and qualitative. It has generated \$141 million in new construction representing seven million square feet of real property inventory and 2.3 million square feet owned separately by other private owners. In addition, the venture has been able to internally fund its infrastructure with no additional debt. Absorption since BDO was created has averaged over 300,000 square feet annually. Over 99 percent of new construction is leased and overall occupancy, including the older structures, now stands at over 75 percent.

In addition, 3,829 jobs have been created, and 96 highly diverse businesses ranging from distribution, graphic design, research and development, and neutraceuticals, now exist at BDO.

COMMUNITY RESULTS

The project has been a boon in terms of revenue generation for Ogden City which was able to leverage revenue generated by BDO to complete a number of redevelopment projects. Among those is a \$40 million redevelopment project that resulted in a mixed-use lifestyle center in the city's downtown called The Junction. Revenues from BDO also helped clean up the IRS campus area that allowed for an estimated 4,000 jobs to be consolidated in the central business district. Money from the project also helped enable the city to restore its deteriorating historic district to a vibrant event and shopping experience.

In addition to The Junction, the city has leveraged BDO revenues to complete \$1.3 billion in new commercial construction since 2000. Funds from the profits of BDO have helped solve development and environmental issues resulting in new Walmart and Winco markets, as well as new mixed-use developments along the Ogden River in the city's downtown. For the first time in nearly 100 years, new homes are being built in central Ogden.

Additionally, the project has aided the city in developing an economic effort that has generated over an estimated \$1 million in incremental new property taxes and an equal amount of sales taxes over the past four years. It is estimated that there are 3,000 new jobs from these activities ("Mountain Monitor: Tracking Economic Recession and Recovery in Intermountain West's Metropolitan Areas." Mark Muro and Kenan Fikri. Brookings Mountain West, September, 2011). Major new relocations include Homedepot.com, Wayfair, and the creation of an outdoor industry cluster of over 20 new brands such as Salomon, Atomic, Suunto, Hart, and Scott. In addition, Ogden has ranked as one of the nation's fastest recovering communities from the recession and in terms of percentage of job growth, has ranked as one of the largest job creators in the nation.

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Based on these measurable results and the immeasurable psychological benefits experienced by the community, BDO has truly been a game changer for Ogden City.

CONCLUSIONS

Before writing this article, I felt conflicted on what part of this project to focus on. There were a number of interesting technical aspects. Financial structures, negotiation settlements with federal agencies, and marketing methods all appeared very interesting and educational. But the project and the economic environment today have changed sufficiently to make the techniques less important than what is learned about how changing certain initiatives like this can have on a community.

It is very clear that without this project the Ogden of today would be extraordinarily different. Without the project it is clear the physical development environment would not have changed. Investment capital was the significant lubricant of that physical change. But more importantly, the project taught the leadership of the community that meaningful economic development cannot occur without a willingness to initiate and sustain change, a willingness to innovate, the drive to implement plans and fulfill objectives and, probably most importantly, the willingness to take risk.

Risk comes in many forms. Typically, the greatest stumbling block is political. That political risk is usually defined in the form of financial exposure. But the reality in today's political-and talking-point environment is the inability of political leaders to explain the difference between investment in their communities and expenses to operate their communities.

BDO is now in its 13th year, and the majority of the secondary economic benefits are just now being recognized. It is also important to note that without consistent follow-through of reinvestment in this situation by dedicated leaders in the community, the effects of the initial investment at BDO could have been greatly minimized. In this case, without the investment of the initial \$12 million, the significant results mentioned here would have never been achieved.



Salomon Center @ The Junction, Downtown Ogden

America's decaying infrastructures lie at the inability of our political processes to differentiate these issues. If Ogden had not learned the difference, it would have been impossible for the risks associated with taking on a publicly funded joint venture to take place. The focus on taking a risk to create new revenue generating projects is difficult when political leaders are wary of being perceived as spending tax monies on projects that are not deemed essential. Without the initial investment by the community and the risk politically of making that decision, all of the projects outlined in this article would not have taken place.

For political leaders, there are additional risks of creating a vision and the subsequent plans. Among those is the cost of creating sufficient expertise to drive and fulfill those plans. While it is easy to establish high-level planning, the willingness to understand the costs of implementing those plans seems much more difficult to comprehend. The business world recognizes the need for sustained investment in order to develop profits; but it seems much more difficult in the world of two-year election cycles for leaders to embrace investment cycles that may take a generation to fully implement.

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25th Street, present

Innovation and government are not typically mentioned in the same sentence. The innovations in Ogden were the creation of an economic focused, development oriented, multi-faceted economic engine and the willingness to stand behind the funding of the capital and human resources needed to create results. One of the great innovations is that economic development was allowed to drive community-development activities, and traditional public services acted to support economic development. In other words, economic development became the first priority of the community. Even the traditional services of the community, such as public safety and utilities, had to recognize and design projects that would create economic outputs and accept the notion that investment would come before those expenses normally prioritized by government.

One of the greatest challenges of short-cycle government is creating sustained community leadership. Without it, long-term strategic initiatives can be changed every cycle. BDO acted as a model to sustain the vision within the community. ☎



American Can Building, present, home of AmeriSports

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small business innovation

INITIATIVE IN MINNESOTA

By Pamela Sarvela, Ed.D., CEcD, and June Kallestad

INTRODUCTION

Have you ever had an idea that you did not pursue only to have someone else come up with it and make millions of dollars? Ideas come easier for some than others, however it is not the idea but the action to advance the idea to commercialization that separates the entrepreneurs from the rest of us.

The decision to start a new technology enterprise starts with the recognition of an opportunity and mobilization of both financial and human resources. And this is key: technical innovations and business start-ups are not shaped by creativity alone, but by the “presence of knowledge, financial, and other complementary assets that are available in a region.” (Source: Audretsch & Kayalar-Erdem, 2005, p. 107) How regions or states organize around those assets is unique to each area. The literature on innovation discusses the importance of networks or clusters, so geography and proximity are major factors. Technical innovation depends on “knowledge flows” – the interactions among and between enterprises, universities, public institutions, and the diffusion of knowledge and technology to firms (Source: Nelson, 1993; OECD, 1997; Porter & Stern, 2001).

The following article outlines how the University of Minnesota Duluth’s Natural Resources Research Institute (NRRI) organized around decades of accumulated infrastructure (physical assets, regional connections, intellectual capacity) to support product development without giving the client a grant to use on their own. The Small Business Innovation Initiative (SBII) builds on NRRI’s niche of supporting entrepreneurs in manufacturing, product development, lean processes, equipment



NRRI researcher Brian Brashaw leads an entrepreneurial small business in lean manufacturing techniques.

purchasing, and strategic decision-making. Supporting entrepreneurs in this manner builds upon an infrastructure to provide future job creators with networks and support.

NRRI believes that assisting two entrepreneurs today can result in hundreds of jobs in the future. The Small Business Innovation Initiative is replicable or transferable to any region that has a university or federal laboratory with an array of services beyond basic counseling.

“Coming together is a beginning; keeping together is progress; working together is success.” – Henry Ford

NRRI’S HISTORICAL PROGRAM CONTEXT

In 1992, Mike Rone and Duaine Miranowski had a vision to utilize membrane press technology to manufacture high quality wood composite components to supply the kitchen and bathroom cabinet industry. They did not, however, have the research expertise nor adequate equipment to move it forward. The men had extensive experience

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THE IMPORTANCE OF PROVIDING ENTREPRENEURS WITH ACCESS

The University of Minnesota Duluth (UMD) Natural Resources Research Institute (NRRI) recently received the Gold Excellence in Economic Development Award in Entrepreneurship from the International Economic Development Council for the Small Business Innovation Initiative-Product Development Fund. With the support of the Knight Foundation and Blandin Foundation, the NRRI created the Small Business Innovation Initiative to help small businesses and entrepreneurs succeed. The initiative allows NRRI to deploy expertise, research equipment, and laboratories around technological entrepreneurs’ projects to develop new or improved products or production efficiencies.

in membrane pressing, production, and manufacturing, but needed the financial resources for the science and engineering research to develop their concepts. They recognized an opportunity, were motivated, and were ready to risk it all to make their dream become a reality – true entrepreneurs.

Rone and Miranowski brought their idea to NRRI, an applied research facility with the infrastructure to provide entrepreneurs with the science and engineering technology support needed to take an idea to commercialization. NRRI was able to provide that support because of a funding mechanism made possible through the State of Minnesota's Technology Fund to provide entrepreneurs with research and development (R&D) support. The company's name is Northern Contours, Inc., and in 2011 it employed around 400 people with \$55 million in annual sales.

Technological innovation and small businesses like Northern Contours, Inc. are recognized as key drivers in the United States' economy not only for their value to the nation but to keep the U.S. globally competitive. Taking a technological idea from concept to commercialization is not a single action but a complex process of interrelated sub-processes. Innovation is not just conceiving a new idea, nor inventing a new device, nor developing a new market – the process is all of these things acting in an integrated fashion (Source: Myers and Marquis, 1969).

The U.S. Small Business Administration defines small business as companies that employ fewer than 500 employees and generally have sales below \$1.5 million, depending on the industry sector. In the U.S., small businesses represent 99.7 percent of all employer firms and employ roughly half of all private sector employees (Kobe, 2007). Often small business start-ups begin with technology entrepreneurs like Rone and Miranowski who have an idea but are limited in human and financial resources. Minnesota's Technology Fund sponsored the R&D support provided by NRRI in the early 1990s, and the business owners contributed intellectual and sweat equity with the end result being a successful small business – one that has a tremendous impact on economic development in their region.

Rone and Miranowski were entrepreneurs from the private sector who partnered with NRRI as a public resource. The public/private partnership that Northern Contours had with the institute was critical for their success and growth. Providing the applied R&D expertise fits with NRRI's broad mission to *foster economic develop-*

ment of Minnesota's natural resources in an environmentally sound manner to promote private sector employment. NRRI is an applied research facility with over 25 years of experience working with industry. Of course, to keep its programs running, the institute needs funding. Unfortunately, the program lost its funding during a recession, which means technology entrepreneurs who do not have adequate financial resources or the connections may not be able to get the applied R&D support critical for technical innovation.

Little is known about how much innovation is lost because entrepreneurs do not have access to applied research and development capabilities. NRRI recognized

the risk of not having funding available to provide technological entrepreneurs with access to applied R&D resources. As funding was reduced, so was the focus of NRRI's researchers.

NRRI Director Dr. Michael Lalach challenged the institute's researchers and business development staff to put together a strategy that would continue to support technological entrepreneurs. The Small Business Innovation Initiative (SBII) was devel-

oped in 2006, based on the premise that technological entrepreneurs who have access to NRRI's resources create a web of economic activities, including important experiential learning for future growth.

Largely supported by responding to requests for proposals through federal and state solicitations, the institute has built and maintained state-of-the-art knowledge and capabilities. Technology and/or knowledge transfer is critical for universities and federal laboratories, which generally are not responsible for (nor capable of) the commercialization of ideas. NRRI recognizes the importance of using its capabilities to support those entities that are ultimately responsible for job creation.

SMALL BUSINESS INNOVATION INITIATIVE (SBII) DESIGN AND PLAYERS

The goal of SBII is more than just supporting entrepreneurs with product or process development. The initiative was designed to take technological entrepreneurs through an experiential learning process around product development protocols. So while the program provides access to NRRI's capabilities, it also provides the impetus to set into motion a web of interactions among a number of institutions, further enhancing the region's entrepreneurial infrastructure.

Perhaps lending to its success is the sheer number of players involved in shaping the program. This included



NRRI was able to help two entrepreneurs develop a cabinet product line that grew the company to employ about 500. Here, two employees work on the cabinet finishing steps.



Ryan Holman, owner of Ryan's Rustic Railings, was able to double the size of his product output with product improvement and production efficiency assistance from NRRI.

a number of scientists and engineers from within NRRI, and external players, such as the Northland Foundation whose director was instrumental in advocating with various funders on NRRI's behalf. The advocacy started with story-telling around past successes, such as Northern Contours, of what happens when technological entrepreneurs have access to NRRI's resources.

As it turned out, the Knight Foundation had ownership in the local newspaper out of the Duluth, MN, area and was interested in supporting more economic development activities. Polly Talen, the program officer, spent many hours in conversation with representatives from NRRI and other economic development professionals across the region to gain an understanding about what we were trying to do. There was great enthusiasm around the SBII program and the Knight Foundation brought in the Blandin Foundation to make sure that there was enough funding upfront for a successful launch and development.

In 2007, the Knight Foundation and Blandin Foundation invested a total of \$350,000 with a goal of providing entrepreneurs with access to NRRI's applied resource and development capabilities. The SBII program parameters required the following:

1. *Need:* A clear indication of the client's needed support (beyond simple testing) in order to advance an idea or for process improvements, and NRRI's capabilities to provide the support. This could range from the whole continuum in the product development process or lean manufacturing training.
2. *Application Process:* An application is developed jointly between the client and a NRRI principal investigator to include scope of work, clearly defined goals and objectives, timelines, responsible parties, outcomes, and project costs.
3. *Clients' Contributions:* The clients are required to match the cost of accessing NRRI's resources dollar-for-dollar, with a combination of cash, material, travel, and in-kind contributions.
4. *Review Committee:* The principal investigator and applicant work with the program manager to finalize

the application to bring before a review committee. This committee includes NRRI researchers and staff and external economic development professionals. Both the principal investigator and applicant are present to discuss various aspects of the proposal.

5. *Approvals:* Agreements are drawn up based on the application and signed, a budget is established for the principal investigator to charge against, client submits cash contribution... and the project begins.
6. *Important Point:* The program provides the client with access to NRRI's infrastructure. Money is not given to the client to develop the product or processes independently. A budget is established and the principal investigator charges time, materials, and equipment use to the account. The client works with the principal investigator, contributing time and materials. The principal investigator serves as a project manager using protocols in the same manner as when managing their own research program.
7. *At the conclusion of a project,* the principal investigator and client write a summary to report on the results. One year later, the company provides another summary to document the results after the fact.

IMMEDIATE IMPACT OF THE PROGRAM

"NRRI allows us to do more and progress further, faster."
Greg Benson, President/CEO, Loll Designs

As part of the process, NRRI's supporters recognize success as both new products and processes brought to market but also the importance of not moving forward when the science, engineering, and/or economics did not support the idea. The emphasis is not on failure but instead is on the actions and learning processes of the clients for future ideas, investment, and interactions.

Here is an example of an SBII program client: MR Fence Tech came to NRRI with the desire to develop a fence post out of a new, environmentally sensitive material that could perform even better. The owner saw innovation potential in this industry that sells over 875 million linear feet of fencing in the U.S. each year. NRRI worked with the owner to develop the posts out of chemically bonded phosphate ceramic material. The testing was promising, but the cost of the raw materials was higher than anticipated. The idea was not scrapped but was shelved until the price of the raw materials comes down. This saved the business owner time and money.

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“NRRI’s Small Business Innovation Initiative gets entrepreneurs the research and technical expertise they need to fuel their ideas, and connects small businesses with a broader network of support. Together we will build a stronger economy.”
— Polly Talen, Program Director/Knight Foundation

The Small Business Innovation Initiative allowed 20 entrepreneurs access to NRRI’s applied research capabilities, resulting in new products conceived, tested, and commercialized; a client-to-client network and to other economic development players; roughly 100 jobs created/retained; and two or three companies that avoided investing in products that were not competitive or reliable. Results also included lean manufacturing training leading to reductions in waste and increases in revenue; one spin-off company; and knowledge transfer between NRRI and its clients.

But what is behind these numbers? Entrepreneurial passion! For example, Goodwill Industries in Duluth had a mattress recycling business, with no market for recycling springs (weekly volume/10,500 cubic ft.). NRRI provided product and market development assistance to support purchase and integration of spiral steel baling equipment. And, an entrepreneur came to the table to design a spiral steel baler – and it worked! Goodwill Duluth now employs five workers to separate materials and recycle some 16,000 mattresses a year. In 2012, the facility recycled 215 tons of steel, receiving \$316 per ton. From this successful business model, the client envisions that the program could be replicated throughout the U.S., starting another entrepreneur on the road to success with a business to manufacture specialty mattress recycling equipment.

From the Goodwill project grew another web of interactions, finding markets for the other components of the mattresses. Across the bridge from Duluth, in Superior, WI, resides a company called Field Logic, a manufacturer of archery sporting goods. Working with NRRI, mattress components were tested for their target products. In the end, the team identified other “trash” that was saved from the landfill and used that material to create a new product line. NRRI provided contacts and resources to help this company experiment with bonding different materials and combinations for testing targets.



Business owner Loni Bright (right) grew her custom boat cover business and hired a part time assistant after receiving lean manufacturing assistance from NRRI.



The invention of the Coil Spring Compactor by a Duluth inventor helped NRRI find markets to recycle the components of old mattresses. The business model is a proven success at Goodwill Industries.

“The impact goes beyond here – scrap brokers, truckers, sales representatives in the stores...a lot of people benefit getting a new product to the customer.” — Paul Merihart, Field Logic

Based on the parameters of the program, each client was required to match the SBII dollar commitment 1:1 – that means there would be an additional private sector investment of at least \$350,000 through cash, in-kind, and material contributions. However, all projects had a cash component. Financial analysis of the pilot program reveals there was \$984,000 in client contributions, or \$2.81 match for each dollar from the program.

Another thing happens when clients work with organizations that provide support – relationships are developed. When the client’s business is strengthened by product development or lean manufacturing processes, they eventually invest their own cash flow in applied research and development because they understand and experience the results.

One client in particular has continued investing in research at NRRI (over \$200,000) because of the experience and trust that was built during the original project. The new product this company is launching will have far reaching environmental impacts for the future of our nation. Yet another client that continues to contract for services now sells products in over 5,000 retail stores throughout the U.S. and Canada and in over 50 countries throughout Europe, Asia, North America, and in Australia. But the jobs are in Minnesota.

WHAT WAS LEARNED

The Small Business Innovation Initiative is being expanded, based on what was learned from the 20 clients. For instance, the program would be enhanced with the addition of a manufacturing specialist to provide a combination of training seminars, best practice tours, and more availability to work hand-in-hand with rural small businesses. And, as part of the University of Minnesota, our principal investigators have the credentials and expertise in grant writing to serve as part of a small business research team. This could benefit some of the clients

The nation's capacity to innovate depends upon an environment that creates stronger linkages among all players (enterprises, universities, public institutions, nascent entrepreneurs), not just those with the ability to pay.

in accessing greater resources from the Small Business Innovation Research/Small Business Technology Transfer (SBIR/STTR) program. The SBIR/STTR program is the largest single source of early-stage research and development funding for small business innovation in the United States. Between 1983 and 2004, roughly \$17 billion for more than 82,000 projects was awarded.

Finally, future projects will be evaluated for the need to include a business consultant from Minnesota's Small Business Development Centers (SBDCs). If the client does not have internal capabilities, bringing in a business consultant will allow the NRRI researchers to focus on the technological aspects of the project while assuring that financial and marketing analyses are integrated into the overall equation in determining the economic viability of a project.

The objectives of the expanded SBII program are summarized as follows:

- Support small business ideas with access to NRRI's applied research and technology development capabilities – along the product development continuum.
- Enhance lean manufacturing education, implementation, and networking for rural small businesses.
- Create an awareness and support for Small Business Innovation Research/Small Business Technology Transfer (SBIR/STTR) programs.

FUTURE SMALL BUSINESS INNOVATION INITIATIVE GOALS

The funding that fueled the Small Business Innovation Initiative has been depleted, but the results are serving as a catalyst to raise additional support to expand the efforts. NRRI is working to stabilize the program with a \$1.5 million fund-raising effort, of which \$250,000 will be reserved from NRRI with \$1 committed for every \$5 raised.

While the Knight Foundation no longer serves NRRI's region, the Blandin Foundation renewed its commitment to the program with another \$150,000. And the Bremer Foundation approved \$100,000 in funding. Minnesota Power and Great River Energy, prominent partners in the economic development arena for Minnesota, have committed future financial support/investment. Our funding partners provide more than financing, they help share NRRI's story about the program throughout the state of Minnesota and help generate additional support.

The greatest challenge NRRI faces is creating more of an awareness of the applied research and development capabilities of the institute and how providing access to entrepreneurs can support the evolution of entrepre-

neurship for the region and state. The future program outcomes are as follows:

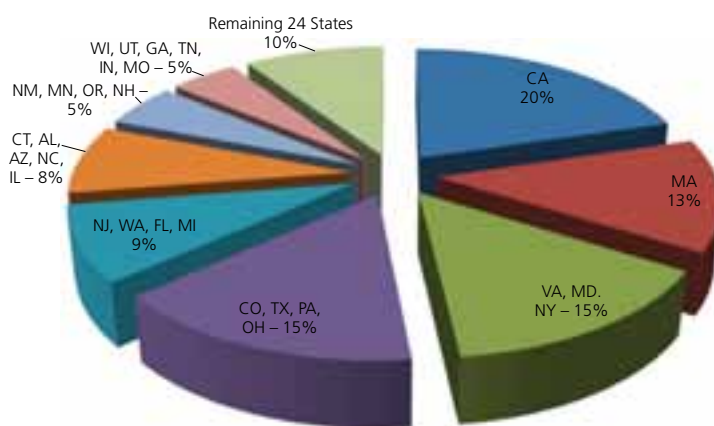
- Increased access for at least 50 entrepreneurs/small businesses to NRRI's scientific and engineering staff, laboratories, and technologies.
- Small business creates/retains 300 jobs creating the ripple effect of a stronger economy.
- Private investment of additional \$1,250,000 cash and/or in-kind effort.
- Increased private sector innovation and commercialization.

REPLICATING AND IMPROVING THE PROGRAM

The SBII program described in this article is replicable anywhere across the United States or globe where some sort of public institution has an applied research and development infrastructure, financing mechanisms to create the programs, and individuals with innovative ideas. The nation's capacity to innovate depends upon an environment that creates stronger linkages among all players (enterprises, universities, public institutions, nascent entrepreneurs), not just those with the ability to pay.

The U.S. has a complex program to finance small business innovation, the previously mentioned SBIR/STTR program. The statistics on the program show that over 60 percent of all grants go to a handful of states. Success is known to create more success. States that are not one of the top four receiving the bulk of the awards should consider including more avenues for creating awareness and support systems to help technological entrepreneurs access the program.

**SBIR TOTAL ALLOCATIONS
1983 TO MARCH 2011**



Source: Innovation Development Institute, www.inknowvation.com

The best way for technological entrepreneurs to learn how to succeed in complex finance-granting processes, such as the SBIR/STTR program, is by aligning them with an organization like NRRI or other research institutes. If they are successful together, there are greater opportunities for funding to support the research and hopefully successful business/product launch with many multiplier effects.

At the state level, an inventory can be conducted of state universities and colleges to determine what kind of capacity is available for research and development support of technological entrepreneurs. NRRI is unique, because while it is part of the university system, the majority of the staff is not faculty and does not have teaching responsibilities, which means there is not the same focus on achieving tenure. NRRI's focus is on solving real world problems in the near- and long-term. States with similar institutions can support technological entrepreneurs who have both the passion and ability to commercialize technology with the necessary resources they lack to develop the technology.

At the regional level, consider the gaps that exist in the current infrastructure. If there is no access to an applied research institute like NRRI, it may be possible to cross boundaries to connect your technological entrepreneurs. A survey of regional foundations can help share the story about the importance of providing a program that teaches and supports entrepreneurs in the continuum of the commercialization process. If programs can be developed to support and connect technological entrepreneurs to existing resources, regardless of proximity to those resources, the state and regional capacity is optimized in a manner that benefits the nation.



Tim Doyle of Northern Sheer Veneer stands by the company's unique thin wood sheering machine. NRRI helped Doyle with marketing and new product development.

NRRI knows from firsthand experience about the importance of providing technological entrepreneurs with access to research and development capabilities. Thanks to the foresight of Minnesota state legislators, the leadership of NRRI Director Dr. Michael Lalich, and those entities willing to provide financial support for the program, our researchers and staff have the privilege of working alongside these innovative job creators for a stronger economy. 🌐

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*The Power of
Knowledge and Leadership*

GEN busting

By Pete Tokar

Super Storm Sandy wreaked havoc up and down the Jersey/New York seaboard in late October, 2012. Residents and business owners were warned it was coming, evacuations were ordered, but many decided to ride it out; and what a ride they experienced. This perfect storm caused millions of dollars in damages, plunged thousands into darkness due to massive power outages, and most tragically of all, claimed the lives of over 110 Americans, some as far inland as West Virginia. Lesson learned? When a super storm is coming your way, you had better take it seriously.

A SUPER STORM IS COMING YOUR WAY

An alarming number of U.S. business owners, CEOs, managers, and workers are either conducting business in an information vacuum or are neglecting to make adequate preparations for a generational super storm that is bearing down on every U.S. business, large or small. Many have already begun to feel the outer bands of this super storm, but far too many businesses have no idea about the potential havoc this storm can wreak upon their organizations. Fortune 500 companies are investing millions of dollars to prepare for this storm, but many other businesses have either not been adequately warned or even more importantly, have decided to ride it out.

GEN Busting is all about busting the generational barriers that are generating this perfect storm. GEN Busting starts with a comprehensive under-

standing of the generational factors that are at play in most every organization.

Have you ever looked around at those you work with and asked this question, “*What is wrong with these people?*” Next time you peruse your workplace, a better question to ask might be, “*What are these people thinking?*” Now you’re getting closer to the real issue. However, the best question to ask would be, “*Why does he/she respond that way?*”

It has never been more important in the workplace to understand whom you are talking to and whom you are working with. For the first time in the history of the American workforce, four distinct generations are struggling to work side-by-side. Although the birth years for the generations vary from study to study, generally speaking they are:

- Traditionalists: Born 1927-1945
- Baby Boomers: Born 1946-1964
- Gen X: Born 1965-1980
- Millennials/Gen Y: Born 1981-2006

Each of these generations brings very unique and competing moral,

social, and professional values into the workplace. These competing values provide the perfect conditions for a generational super storm, which is exactly what many businesses are experiencing in increasing frequency and severity. As the hot air and cold air values collide, tension on the team can reach extremely derisive and unproductive levels. When generational tension on a team gets out of control, operational costs go up, operational effectiveness goes down, and often, even safety is compromised. *Understanding and effectively leading the four generations will increasingly become one of management’s most critical demands.*

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TERMINATING TENSION ON THE TEAM

GEN Busters: Terminating Tension on the Team was recently presented as an elective workshop at the IEDC’s 2012 Annual Conference. Workshop participants discovered critical generational factors that are increasingly wreaking havoc in many workplaces and were challenged to employ effective strategies designed to minimize generational tension among coworkers representing the four distinct generations at play in the contemporary American workforce. The article provides a brief orientation on generational phenomena that are increasingly evident in workplaces across America and on the productivity generated by effective generational understanding and cooperation.

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The Traditionalists are the children of the Great Depression. They either personally experienced the soup lines or were raised by parents who had. They place a highly emotional value on employment.

MEET THE TRADITIONALISTS

The youngest Traditionalists (having been born between 1927-1945) are currently 67 years old. Many ask, “Why are they still a workforce consideration?” First, because of astounding advances in the medical community, we are all living longer. Experiencing longer life and better health, many Traditionalists have enthusiastically returned to the workforce. Second, many Traditionalists have been driven back into the workforce because of the recent U.S. economic implosion. Overnight, pensions disappeared, investments crashed, and previously comfortable retirements came to a sudden halt. These combined factors resulted in Traditionalists returning to the workforce in significant numbers, making this generation the longest working generation in history.

Work Is Survival

The Traditionalists are the children of the Great Depression. They either personally experienced the soup lines or were raised by parents who had. They place a highly emotional value on employment. The Traditionalists are also the GI generation, the generation who witnessed how world war could devastate civilizations. Even if they and their family personally survived the impact of the Great Depression, they witnessed the economic devastation of other countries torn by war. For a Traditionalist, having a job is not a luxury, it translates to survival itself.

Loyal and Dependable

Because work is survival, Traditionalists have historically gone all in for the companies they have worked for. They are institutionally loyal, highly dependable, and consequently disdaining toward those who do not appreciate having employment and those who are openly critical of the company and its leadership. Traditionalists understand the value of a chain-of-command and are highly suspicious of those who jump the chain in the workplace – a practice that some other generations see no problem with at all. It is the Traditionalist’s high level of loyalty, dependability, and extensive experience that is opening so many employment doors for these silver haired professionals.

Love the “Box”

Traditionalists invented the “box” that every other generation is trying to think out of. Traditionalists do not normally deal well with constant change or conflict. They live by and follow the rules and expect others in the workplace to do the same. *“Let’s just slow down a little and think this through. The box is tested and safe; let’s not be quick to break it down.”*

Conservative by Nature

Traditionalists have witnessed dramatic social and cultural changes during their lifetime. Many grew up and raised their families in a day when everyone went to some kind of church on Sunday and when historic Judeo-Christian values ruled the day. They lived in a day when it was a scandal for a Catholic to marry a Protestant let alone someone marrying out of their ethnic race. Cohabiting couples were shacking up and they would naturally assume that anyone sporting a tattoo had previously served in the Navy. Over time, most Traditionalists have learned to live with all these cultural changes, but when flaunted or pushed upon them, the warrior in the Traditionalist can still come out.

MEET THE BABY BOOMERS

World War II officially ended in August 1945, shortly after Hitler’s vaunted Third Reich was crushed and the first atomic bombs were dropped on Japan. Thousands of soldiers, sailors, and Marines returned home from the war and tapped into the surplus pool of women desiring husbands. All this resulted in a “baby boom” of 78 million babies who would soon dramatically shake up the American workforce.

These Baby Boomers were blessed to have been born at the height of America’s international prestige, military power, and economic strength. Post-war incentives allowed their parents to realize the American Dream in staggering numbers, and these post-war parents were determined to lavish upon their children a lifestyle unimagined by their own Great Depression parents. However, all this attention would ultimately result in a very aggressive generation entering the American workforce.

“Box” Busters

Boomers entered the workforce with an insatiable thirst to bust out of the box created by their Traditionalist parents – vocationally, socially, and culturally. Their determination to challenge the status-quo led to the great social unrest that characterized the 1960s and 70s. Anti-establishment was the mantra of the day. Long hair, bell-bottom trousers and paisley shirts, peace-symbol medallions, political activism, and free love became the outward manifestations of Boomers’ box-busting determination. As they entered the workforce, this same determination followed them, resulting in an unprecedented struggle between conservative management and a liberal

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employee pool. However, as Boomers became more entrenched in the workforce, they began to discover new challenges that significantly mellowed them out.

Faced Steep Competition

As greater numbers of the Boomers' 78 million strong generation entered the workforce, coupled with the 63 million strong Traditionalists who were already entrenched, Boomers began to face steep competition in securing and keeping jobs. They quickly learned that the surest way to outlive the competition was to out-work them. Subsequently, Boomers pretty much created the 60+ hour work week. Checking in at work on days off and vacation days became a common phenomenon. There were always colleagues looking to knock their co-workers off the ladder, so Boomers had to stay a step ahead and ever so alert. Lesson to be learned? One doesn't work with a Boomer, one competes with a Boomer.

Work Is Fulfillment

Since Boomers have spent so many hours on the job, for many, work is the central focus of their lifestyle. A sense of who they are is often deeply connected to the degree of achievement they've reached in their career. Put a couple of Boomers into a networking situation and within 2-3 minutes of any introductory conversation you are sure to hear the question asked, "So tell me, what do you do?" The answer to this question will subsequently determine how long the remaining conversation will last and what kind of long-term connection will be established.

Success on the job means everything to a Boomer. Walk into the office of most Boomers and what do you immediately see? You see the 'I love me' wall of conquest. The walls of a Boomer's office will be adorned with a variety of performance plaques, pictures standing next to prominent celebrities or professionals, trophies, and a cadre of other symbols documenting a long and successful career.

Many Are Technophobic

Although you'll find Boomers with the latest iPhone in hand and a full inbox of emails, many are still technophobic. Technology is developing far too rapidly for many Boomers, if not most, to keep up with. Boomer bosses and co-workers will often demonstrate a resistant attitude toward employing new technologies. *What's wrong with our current website? FaceWHAT? Do I do what . . . tweet?*

Love Paper, Meetings, and Presentations

In their highly competitive work environment, Boomers were constantly searching for ways to distinguish themselves from their competitor co-workers. One technological advance of their early days was the Xerox copier. Prior to the copy machine, Boomers had to make cop-

ies on a mimeograph machine. Enter the Xerox machine. Now Boomers could easily make very neat, professional looking copies of reports and other business documents. These great looking documents could be used in company meetings to demonstrate how proficient and creative the Boomer presenter was, thus demonstrating his/her worth to the company while simultaneously outshining other less creative co-workers.

Frequent business meetings also provided Boomers with a vehicle by which to evaluate and keep tabs on their competitors. Meetings also provided Boomers with additional opportunities to propose ever increasing ways to break out of the Traditionalist's box. Boomers were quick to create and embrace a *let's have a meeting* about it mentality that still exists in many quarters today, much to the chagrin of their Xer and Millennial successors.

MEET GEN X

Gen X was welcomed into the workplace by cat-calls of "slacker" or some other derivative of apathetic. Right from the start, Xers faced a steep uphill climb. Acceptance by the now well established Traditionalists and

Boomers was slim or more often nonexistent. Xers did not find themselves professionally limited by a glass ceiling but a well-enforced concrete ceiling. Many Xers still complain that they are stuck in the middle with Trads and Boomers long overstaying their professional welcome in the workplace, stifling upper movement by Xers, and more currently by a new generation

coming into the workforce who seem to be getting all the attention and their way.

Upon entering the workforce, Xers negatively stood out in the eyes of their Traditionalist and Boomer bosses because they were so different. Although the Boomers had challenged the "box," they ultimately fell in line with most Traditionalists' business practices, often out-working their Traditionalist forerunners. *Xers, on the other hand, came into the workforce with a whole new set of workplace values and rules.*

A Product of Their Times

It can be argued that all generations are a product of their times, but this is especially true of Gen X. While Traditionalists became the greatest generation for saving the world from Nazi tyranny and forging the strongest economy in international history, and Boomers enjoyed being raised at the zenith of American international prestige and influence, Gen X grew up in far less auspicious times. Their most formative years were characterized by declining international influence (Vietnam), political intrigue (Watergate), an era of economic instability (soaring interest rates/gas lines), rapid technological advancement (PCs) and in an environment of pronounced isolation (latch-key kids). This resulted in a generational cynicism toward values mutually embraced by Trads and Boomers.

Xers' number one workplace
pet-peeve is micromanagement,
a Traditionalist/Boomer leadership
style that has plagued them
from day one.

To continue your GEN Busting journey, consider the following action steps.

GENBUSTING STRATEGY CHECKLIST

WHERE TO START	
1. ____	MAKE A COMMITMENT - Build a multi-generational friendly workplace.
2. ____	TAKE AN ORGANIZATIONAL PULSE - Ascertain your organization's generational exposure.
3. ____	TRAIN YOUR LEADERSHIP - Provide extensive generational training for your top and middle-management leadership team.
4. ____	DEVELOP YOUR STRATEGY - Subsequent to providing training, build groups that can develop your company's strategy for building a multi-generational friendly workplace. Be sure to ensure "buy-in" from your entire workplace team by including them in the strategy development.
5. ____	TEST DRIVE YOUR STRATEGY AND TWEAK - Announce a "test-drive" to be conducted over a predetermined period of time, conduct an evaluation by reviewing the results of your test-drive, and then tweak your strategy utilizing the lessons you've learned.
6. ____	IMPLEMENT YOUR REVISED STRATEGY - Once you have fully reviewed your strategy, implement the new initiatives learned from the test-drive and implement your final strategy company wide.
7. ____	SEEK FEEDBACK REGULARLY - Embrace the fact that your organization will need to frequently review how well your GenBusting strategy is working. Enjoy the journey of continuing to tweak your strategy to fit your evolving workplace.

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Embrace Limited Corporate Loyalty

Between Xers' absentee parenting experience, driven up by a skyrocketing divorce rate, and Corporate America's betrayal of their Boomer parents (massive layoffs), Xers elected early on not to go all in for the company. Although Xers are hard workers, they view work as just one compartment of their life, not as fulfillment or survival. Since they do not intend nor expect to work for one company their entire career, Xers are always on the prowl for a better opportunity. Xers often work longer for companies more for co-worker relationships than because of corporate loyalty.

View Themselves as Entrepreneurs

Many Xers, being raised as latch-key kids, have developed strong interpersonal skills. They often lived in such parental isolation that they developed a very strong "If I don't do it for myself, no one else will" attitude. Therefore creativity has become their most prized trait. Xers' number one workplace pet-peeve is micromanagement, a Traditionalist/Boomer leadership style that has plagued them from day one. *Xers hate to be told what to do and how to do it.* Give them the ball and let them run with it. If they fumble the ball, they'll readily take both the credit and the consequences.

Technologically Savvy and Multi-taskers

Where many Traditionalists may still be trying to master their computer and many Boomers are struggling to tweet, Xers cry, "Bring it on!" Xers grew up in a speed of

light technological world; and they had plenty of time on their hands to figure out how to use it all. Xers want the latest and greatest technological tools and are often extremely frustrated by the ignorance (Traditionalists) or the technophobia (Boomers) of the decision makers in their companies. They have also learned to be expert multi-taskers. Xers' multi-tasking is often misinterpreted as disrespecting their Traditionalist and Boomer bosses but it's not; they just want to maximize time so they can get on to other things.

Resent the Rising Stars

As the next generation, the Millennials, enters the workforce, Xers quite often become their chief adversaries. Having been professionally and generationally stifled for so long, they generally resent these brash, young, over-confident kids who have started to invade the workplace. Xers often see their younger colleagues as spoiled, overprotected wannabees. However, it may very well be Xers who ultimately benefit the most from the shakeup the Millennial generation is bringing into the 21st century workforce.

MEET THE MILLENNIALS

While it is true that Traditionalists, Boomers, and Xers have been battling it out in the workplace for many years, the Millennials' entrance into the workforce has produced, and will increasingly produce, a dramatic storm surge unequal to the arrival of any previous generation.

CBS 60 Minutes news commentator Morley Safer produced a fascinating exposé he entitled, "The Millennials Are Coming: The New Generation of American Workers." Airing February 11, 2009, Safer documented the current workforce leadership's first impressions of this new generation invading the workplace. Many of the business professionals he interviewed were not impressed.

Faced with new employees who want to roll into work with their iPods and flip-flops around noon, but still want to be CEO by Friday, companies are realizing that the era of the buttoned down exec, happy to have a job, is as dead as the three-martini lunch.

Morley Safer

These young people will tell you what time their yoga class is and the day's work will be organized around the fact that they have this commitment.

Mariann Szaman
Ad Agency Exec

You now have a generation coming into the workplace that has grown up with the expectation that they will always win, and always be rewarded, even just for showing up.

Mary Crane
Business Consultant

If you are reading this article from a Millennial perspective, take heart, the business world said similar things about your Xer predecessors when they entered the workforce. Bruce Tulgan, one of the most prolific Gen X authors, insightfully declared:

Since the term "Generation X" first appeared, Xers have been described in the mainstream media as 'cynical mopes,' 'sullen and contemptuous,' 'impetuous,' 'naïve,' 'arrogant,' 'short on attention,' and 'materialistic,' not to mention numerous virtually synonymous and equally unflattering variations.

Although many of the publicly decried first impressions of Millennials entering the workforce are highly exaggerated, the emergence of the Gen Y into the workforce will constitute the most challenging transition of the workplace in many decades

With Millennials, employers have to shift how they lead and operate. At the same time, the Millennials entering the workforce today are extremely bright, creative, and, believe it or not, very hard-working. Leaders who are willing to get out of their comfort zones will discover a new pool of employees that can contribute significantly to any company and can help leaders discover new technologies and strategies that will definitely enhance the bottom line.

Disclaimer

Gen Y is so unique and so complex that there is no way this brief article can begin to touch their generational characteristics or begin to help current leaders understand them and fully prepare to lead them. This brief introduction into Gen Y's most pronounced characteristics will at least stimulate thinking and begin to fuel a desire

to learn more about them so that better leadership can be embraced, which will ultimately lead to much greater harmony among and more pronounced success by your entire team.

Super Confident

It has been suggested that the Millennial generation is the most child-centric generation in history. Late Boomer and early Xer parents recognized the high degree of absentee parenting that was practiced by many early Boomers whose careers took precedence in life and family. In an attempt to avoid absentee parenting, Millennials' parents took a much greater and active interest in their children. This produced both good and bad results.

The good is that emerging Millennial young adults are entering the workforce with super confidence. They truly believe that they can contribute positively on day one of employment and fully expect to be given that very opportunity despite their formal lack of experience. And if managed efficiently, they really can produce astounding results early on in their employment.

The bad news is that many Millennials have a highly inflated super confidence that can produce counterproductive results. At a recent HR symposium, some professionals reported that they usually tore up and threw away most Millennial resumes because they were so inflated. Jeffrey Zaslow, a Wall Street columnist, insightfully declared in Morley Safer's exposé: *Parents raised their kids telling them that they were so special. However, they never told them why they were special, for doing what.*

The super confidence of Millennials can be addressed and effectively utilized if led well and managed adroitly. That's what GEN Busting is all about.

Embrace Very Limited Corporate Loyalty

Like their Xer predecessors, Millennials embrace very limited corporate loyalty. However, while Xers will wait it out until a better opportunity presents itself, Yers are extremely inclined to walk whenever they feel like it, even on day one. It is not uncommon at all for employers to see a new Millennial employee leave for lunch and never come back, without any notification of their intention to terminate their employment. *Retention will become one of the greatest challenges in the future Millennial driven workforce.*

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Technologically Driven

Technology is the oxygen that Millennials breathe. Many managers have reported that they “punish” poor performing Millennials by taking away their technology. If you want real retention problems, follow this mistaken strategy. On the other hand, if you want to explore and employ new technologies in your business strategy, Millennials are your prime resource.

Hold High Expectations

Morley Safer's observation that Millennials want to become CEO by Friday is only slightly exaggerated. Millennials view themselves as valuable free agents, open to the highest bidder and to the company that will help them advance quickly. At first blush, this can be a turn-off to employers, but it is really a strength that can be fed and positively exploited.

Who Would Hire a Millennial?

The answer to that question is simple, you. When confronted with the challenges of leading Millennial young professionals, many CEOs and managers have chosen to decline employing Millennials. *There are plenty of returning Traditionalists, experienced Boomers, and Xers looking for jobs. Why should I hire these prima donnas?* Under our current economic conditions, this option is real, but not for long. In fact, this is why so many Millennial college graduates cannot currently find jobs or have to settle for menial jobs. All this will change soon.

According to the U.S. Bureau of Labor, beginning on January 1, 2011, 10,000 Baby Boomers per day started to turn 60 years old. This trend will continue for the next 19 years. With just this statistic in mind, do the math. There are 78 million Baby Boomers. There are only 48 million Xers. Eventually, 30 million jobs will be open, just due to the generational difference in population between Xers and Yers. As the Boomer generation continues to leave the workforce, Millennials are going to have a field day. Once our economy recovers and older workers

increasingly leave the workplace, Millennials will be able to pick and choose whom they want to work for.

Again, retention is going to become a critical factor in the workplace. It is estimated that it takes 50 percent to 150 percent of a departing employee's base pay to hire, train, and successfully deploy a new employee. No business can maintain those kinds of employee replacement costs over a long period of time. Employers who cannot hold on to Millennial employees are going to experience a revolving door of Millennial employees that can and will close them down.

CONCLUSION

From just this brief introduction highlighting the competing generational values of Traditionalists, Boomers, Xers, and Millennials, it's not rocket science to understand how challenging it will increasingly become to keep these individually strong-willed generations working together rather than doing everything they can to sabotage each other.

The good news is that much can be done. Each generation can learn to professionally cohabitate with the other generations, without losing their valued generational identity. Each generational employee can discover how to more effectively interact with the opposing generational co-worker in the next cubicle, across the table, or in the boss' office. Also, the strengths of each generation can be maximized in the workplace, catapulting creativity, efficiency, and productivity. ☎

SUGGESTED READING LIST

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Sujansky, J., & Ferri-Reed, J. (2009). *Keeping the Millennials*. Hoboken, NJ: John Wiley & Sons, Inc.

Tulgan, B. (2009). *Not Everyone Gets a Trophy: How to Manage Generation Y*. San Francisco, CA: Jossey-Bass.

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