



The Value of Working with Economic Development Professionals

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Introduction

At the local level, the private sector is intrinsically linked to the economic development organizations in the communities in which they are located. For the corporate CEO, this relationship can be valuable in terms of expanding the business, marketing the region for investment, attracting new talent, and developing a pipeline of qualified workers. Notably, economic development organizations (EDOs) strive to improve the business climate in their communities by collaborating with diverse stakeholders to create quality jobs, enhance the local tax base, and generally improve the quality of life in the community.¹

Acting as advocate for business interests with public sector officials, economic development professionals also serve as analysts, providing useful quantitative and qualitative information to private sector leaders and policy makers, and are the primary catalysts in a community for leveraging different types of investments. As each community has their own unique set of assets and challenges, the structure of an EDO will vary based on different constituencies, funding streams, and goals. So, while the term “EDO” will be used broadly in this paper, the EDO in any given community may be a local or city government office, a state agency, a special authority designated to oversee the development of an extensive public project, an urban public-private partnership, or a chamber of commerce. These EDOs are the essential resource for corporate CEOs regarding issues ranging from site selection assistance, grant financing and other incentives, networking and matchmaking, locating resources to help businesses expand to attract and retain talent, driving the creation of a skilled workforce, and energizing placemaking initiatives.

Moreover, in some places, the local community college or university may be an active player in economic development in terms of workforce training, research and development, fostering local competitiveness, and providing technical assistance to firms. University research parks also play a pivotal role in harnessing investment, innovation, and technology transfer.

The following pages will describe why collaboration with economic development professionals is a win-win approach for corporate CEOs and will focus on the core issues of marketing regions and cities for investment, talent attraction, workforce development, and leadership transition.

¹ As defined by the [International Economic Development Council](#) (IEDC). IEDC is the largest organization of economic development professionals in the world, with a membership of over 5,000. IEDC members are engaged in the full range of economic development experience.

Marketing the Region for Investment

Marketing regions and cities – and the companies located therein – to outside investors to promote growth is an important function of the local EDO. Drawing new firms and competitive industry clusters to the region is inherent to the marketing initiative, as new investment can enhance the supply chains of existing firms and trigger other positive ripple effects such as talent attraction, increased innovation capacity, and economic diversification.

According to *Site Selection Magazine*, corporate leaders looking to relocate or expand their business cited workforce, logistics infrastructure, and proximity to the customer, as well as livability, as high priorities for investment. While each community has its own unique strengths that appeal to a targeted group of investors, focusing on a community's attributes is crucial to spurring interest and investment; and, for EDOs, the product may be the community, or one more of its individual resources.

Moreover, just as private sector firms will use marketing techniques to position a product or service, economic developers market the community at the city, county, regional or state level as a viable place to do business based on a set of attractive assets. And like businesses that often focus on first meeting the needs of their current customer-base in marketing campaigns – as satisfied customers provide steady revenue and may serve as informal promoters of the product – EDOs may target existing business and residents through a marketing initiative. Highlighting those features that differentiate a community from other destinations is a good way to remind local investors of available assets and arouse support from them.

Partnering with local corporate CEOs and existing business to market the community as a business destination to those outside the area is one of several critical strategies for regional success. Below are a few stellar examples of how marketing and brand awareness can draw jobs and investment.

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- ❖ In 2016, community and corporate leaders in Montgomery County, Maryland came together to form a county wide, public-private partnership to lead development. Two years later, under the expert leadership of their inaugural CEO, David Petr, MCEDC has generated over \$285M in new capital investment, created almost 1000 new jobs through attraction and expansion, and retained over 1300 existing jobs. In addition, the county was named as one of the top twenty finalists in the quest for Amazon's HQ2. Montgomery County was the only county that made the list which was comprised primarily of cities. The creative marketing that attracted Amazon also provided the county with tremendous national and international exposure.
- ❖ Several years ago, a group of concerned leaders consisting of 60 private-sector CEOs, foundation leaders, and public sector officials in Minneapolis-St. Paul created the Itasca Project. With the assistance of McKinsey & Company, Itasca embarked on a regional assessment. The McKinsey

Study indicated the region was behind other comparable regions in terms of job growth and retention. It also noted the region was not on the radar of national site selectors. Part of the solution was the implementation of a regional EDO to market the region on a global basis. Greater MSP was created and, under the leadership of CEO Michael Langley, has been a resounding success. The 16-county region has been recognized for many accomplishments, among them: one of the hottest tech markets in the country; achieved status as an AEDO (Accredited Economic Development Organization) in record time; stimulated new capital investment of \$3.2B and over 25,000 new direct jobs in its first 5 years of operation; led the completion of over 175 expansion and attraction projects with regional partners; and, established industry-leading initiatives for Talent Retention and Attraction (Make It MSP), and regional metrics (Regional Indicators Dashboard).

- ❖ Recognizing that the Indianapolis region is in tough competition for talent, investment, and growth on a global scale, leaders in business, government, and the community united to move the region forward. Led by the Indy Chamber, the regional EDO, in partnership with numerous regional partners, and supported financially by JP Morgan Chase, the region created the Comprehensive Economic Development Strategy (CEDS). CEDS was envisioned as a plan to fuel the region's competitive drive to win the race for economic prosperity. The CEDS initiative led to the creation of Accelerate Indy and the Global Cities Strategy to promote job growth and new investment. In 2016, Maureen Krauss was hired as the Chief Economic Development Officer (CEDO) for the Indy Chamber with the mission to lead the nine-county initiative which focused on marketing the region to promote job growth and new investment. In 2018, as the chief architect of Indy's Amazon HQ2 proposal, the city and the region were selected as one of the top 20 finalists in the nationwide competition.

Integral to the success of these campaigns was the direct leadership and financial support provide by local corporate CEOs who were committed to the success of their regions and urban cores. Participation allowed them to share their positive experiences about the location and to promote their own business. And, the EDO boards selected stellar CEOs to shepherd their respective organizations. The result - a hike in capital investment, a more diversified economic base, and extensive global market (brand) awareness.

Talent Attraction

Today, both firms and communities across the U.S. are competing for dynamic and skilled talent. Communities gain competitive advantages based on their ability to attract and retain the best people. And, while firms may have distinct strategies in place for hiring talent, the existence of a qualified talent base already in place, and the ability of the community workforce infrastructure to respond to the demand of future market changes, is extremely valuable to many businesses seeking to locate to new a site.

Local EDOs play a critical role in attracting talent in a community, and their knowledge of demographic and market tendencies is reflected in the current redevelopment and revitalization processes seen in communities throughout the country. These strategies also serve to draw and retain talent, as research

increasingly confirms that even if a company offers competitive salaries, opportunities for growth, and other amenities, the 75 million millennials – aged between 18 and 34 – are interested in the place they live in, just as much, if not more than the job itself. Notably, a 2014 Rockefeller Foundation and Transportation for America survey of millennials reported that 66% of participants considered access to high-quality transportation as one of their top three priorities in terms of moving.²

Locations that exhibit an attractive quality of place are better equipped to lure skilled talent and generate economic growth, and as such, placemaking strategies are increasingly employed to attract millennials and continued migration to thriving areas. And while for the first time in history, more people now live in urban areas worldwide than ever before,³ in the U.S., there is an exurban shift. The recent Census Bureau's annual county and metropolitan area estimates demonstrate that more people are moving to rural areas, and exurban county growth has quadrupled since 2012.

Across the U.S., smart EDOs are focusing on transforming the physical landscape to attract and retain the type of talent that is more environmentally conscientious and appreciative of vibrant locations with usable public spaces. In Grand Rapids, Michigan, the city's increased attention on green development - with LEED certified buildings and a rich urban center including rebuilding the rapids in the urban core of the Grand River - has proven to be successful in luring millennials who want to live and work in a lively, sustainable city. Understanding that the job itself is not enough, the city has developed reasonably priced townhomes and lofts to appeal to the college graduates who are flocking there for potential employment opportunities.

Cities remain a focal point for recruiting and retaining a quality workforce and must offer employment opportunities as well as life style amenities. This trend extends to second and third-tier cities and beyond.

- ❖ Corporate leaders in Toledo, Ohio were faced with recruiting challenges primarily based on the lack of a vibrant downtown. They formed the 22nd Century Committee and undertook a master planning initiative. Additionally, corporations and private investors infused hundreds of millions of dollars into new development and the repurposing of legacy properties. ProMedica, a large regional healthcare system, along with Owens Corning, made major commitments to revitalizing downtown. The 22nd Century Committee hired an experienced urban redevelopment professional, Rachel Bach as the CEO of the Downtown Toledo Development Corporation, now known as ConnecToledo, to focus on redevelopment and the implementation of the master plan. In 2017, development in Toledo was up over 20% from the previous year, and Site Selection magazine recently ranked Toledo as 3rd among mid-sized cities for economic development.

The importance of cities in leading regional economic growth is no more evident than in Erie, Pennsylvania where technology will play a central role in the future.

² The survey was conducted from April 2-14, 2014 by the [Global Strategy Group](#) (GSG) for the [Rockefeller Foundation](#) and [Transportation for America](#).

³ The United Nations reports that cities host over 54% of the world's population, with a projected rise to 66% by 2050.

Erie, Pennsylvania: Innovating for the Future

Erie is a mid-sized American city whose history was steeped in manufacturing. While manufacturing is still important to the city, corporate and university leaders, in collaboration with the Erie Community Foundation, have set their future course of economic rejuvenation by committing over \$500 million in capital investments in the city's core, including \$4 million dollars to seed the creation of an Innovation District as the cornerstone to their urban development plans. The Innovation District is patterned after a Brookings Institute global initiative documented in *The Rise of Urban Innovation Districts*. In 2017, Karl Sanchack was hired as the inaugural CEO in charge of building the innovation district in downtown Erie to aggressively pursue economic development initiatives which support the retention, expansion, and attraction of targeted businesses involved in safety and security in the high-demand fields of intelligence, data science, and cybersecurity. While in the early stages of development, the Innovation District has already demonstrated early success and has thrust Erie into the national dialogue by initiating a Secure Smart City™ pilot to bring together capital infrastructure, quality of life, and a technology-focused workforce to design a digital economy. This pilot, along with an associated accelerator, will bring together local area resources with global entrepreneurs on the journey towards a reimagined heartland city. National collaborations include a Silicon Valley think tank; a Massachusetts-based information security firm; and, a national technology company based in Cleveland.

Another trend to create growth in small towns and rural areas is “Wealth Creation.” The Wealth Creation Model - attributable to research conducted by the Ford Foundation - helps insure that more wealth created by local people and extracted from local resources remains in the community to build local prosperity. Since creation of the Appalachian Partnership, Inc. (API) over 6 years ago, the Wealth Creation Model has been successfully implemented in rural Ohio and has helped spur the creation of over 6,100 new jobs in a predominately rural, 25-county area. John Molinaro, the founding President of API, has become a recognized thought leader in the field of rural development and the implementation of the Wealth Creation Model. Notably, some counties in Ohio have identified methods to exploit the supply chain with their natural resources. For example, counties involved in extraction of shale can use the resulting products produced by an ethane cracker plant to support local industries and create 20 times more jobs and 40 times more investment than exporting the raw materials. Appalachian Hardwood is also being manufactured in the region to produce high-value wood products, like Bourbon Barrels – an entirely new industry with high-paying jobs.

Additionally, countering the “brain drain,” or mass exiting of college graduates and young talent, is crucial for EDOs. Local EDOs, like a Chamber of Commerce or urban, public-private partnerships, can facilitate internship programs that connect local students to local businesses. This reinforces business retention

and expansion efforts, and prevents brain drain, by engaging talent and bringing local citizens and businesses closer together. The rural sourcing approach is a way to provide rural IT centers an alternative for companies that do not wish to outsource technical or back office work overseas. Working closely with local EDOs and business to develop software development centers allows the younger generation to gain valuable job experience while residing in a lower-cost, rural community.

Whatever the approach an individual community takes, attracting talent cannot happen in a silo and is contingent on the active participation of corporate leadership working in concert with local economic development professionals.

Workforce Development

In a globally competitive economy, having a qualified workforce is vital for both communities and the corporations located within them. Maintaining a pipeline of skilled workers entails more than simply attracting talent, but also includes upgrading the skills and conditions for existing workers. Over the past few years, technological changes in manufacturing and service sectors have necessitated a new mix of specialized workforce skill requirements, and workforce development (WFD) prepares the workforce to meet anticipated industry needs, supporting job creation and career advancement.

However, most of the WFD programs in the past have not fully focused on the skills that the employers in a region need, and many communities are facing a skills gap. Not only is this a major disadvantage to communities in appealing to prospective employers, but it is a threat to U.S. competitive advantage. Furthermore, the rise of automation and disruptive technology could result in the loss of 7.1 million jobs to machines by the year 2020, according to the World Economic Forum (WEF).

Firms today are under pressure to meet customer demands, and communities face the threat of employers leaving a region if they cannot meet their workforce needs. The gravity of the situation was underscored in a December 2017 International Economic Development Council (IEDC) survey where 55% of EDOs responded that the lack of a skilled workforce was the top challenge for their region. Workforce continues as a number one priority today.

With concerns over the workforce rising exponentially, EDOs are taking a more active role in addressing the issue, acting as brokers between business and educators while serving as the critical link to developing tailored training and certification programs to supply local industries. EDOs are familiar with the multiple layers of government agencies, and can thus effectively assist firms in leveraging federal, state, and local financial resources available for workforce development.

Moreover, as baby boomers retire without similarly trained workers to replace them, the Bureau of Labor Statistics (BLS) reports that the nation's need for workers in the skilled trades is increasing much faster than the growth of employment overall. In all trades combined, 62% of employers in the skilled trades are struggling to fill vacancies. EDOs often serve as the linchpin between community colleges or technical schools and industry, bridging gaps to provide a ready-to-go workforce.

- ❖ The Southern Idaho Economic Development Organization’s (SIEDO) partnership with the College of South Idaho (CSI) exemplifies the benefits of EDO-Community College collaboration. Since 2001, the region has sited nearly 30 new businesses and CSI has been an essential partner in all community recruitment and expansion deals, notably in the food industry cluster. Whether it involved developing a new curriculum, providing targeted training or offering classroom space, the coordinated efforts between SIEDO and CSI have resulted in the creation of over 2,900 jobs and an economic impact of \$1.2 billion to the region.

State EDOs are similarly critical to sustaining a qualified workforce. The Minnesota Job Skills Partnership Program, for example, is a Minnesota Department of Employment and Economic Development (DEED) program that fosters collaboration between businesses and educational institutions for the training of new or incumbent workers. Since 1983, more than \$132 million has been awarded to educational institutions to train over 261,000 Minnesota workers.

Tampa Bay, Florida: Employer-driven Workforce Initiative

Workforce development and talent attraction is a priority for the Tampa Bay Partnership. When Tampa Bay’s regional economic development organization, the Tampa Bay Partnership, changed its focus to public policy and advocacy, it immediately benchmarked its performance metrics against 19 peer and aspirational markets. The top takeaways: Tampa Bay lagged seriously behind other markets in terms of transit infrastructure and talent supply. The board of CEOs determined that the region would need to move aggressively to ensure it could compete nationally and globally and achieve prosperity for its residents. Under the leadership of the Partnership’s new CEO, Rick Homans, the non-profit organization has successfully undertaken dramatic efforts focused on transportation and workforce. The Partnership is pursuing a regional, employer-driven workforce initiative to address current and projected workforce gaps. The Partnership's Workforce initiative is being led by Dr. Judy Genshaft, President of the University of South Florida, and Troy Taylor, Chairman & CEO of Coca Cola Beverages Florida. The group is modeling its work, in part, after UpSkill Houston and received a \$300,000, two-year grant from the JP Morgan Chase Foundation to support its work. The Partnership looks forward to seeing tangible results of its work in the next 24 months.

While balancing the supply of qualified workers with the demands of business is a complex task, partnerships between local stakeholders – including business, academia, and EDOs – helps to build local capacity and support innovative industry clusters. For the corporate CEO, reaching out to the local EDO is the best way to determine how to capitalize on the workforce development system.

Leadership Transition

Just as the trend of retiring baby boomers will impact leadership across the nation in the private sector, it will also influence leadership in economic development organizations. Notably, in the next five years, many senior-level positions will be available in EDOs as current executives retire. This is significant as communities depend on having a strong network of leaders at the local level to maintain stability and competitiveness. And, unequivocally having qualified economic development professionals at the helm of a community is often taken for granted, until a crisis occurs. The Great Recession and shifts at the global and local levels have all underscored the value of having community leaders in place who are skilled in balancing the demands of both the public and private sectors.

Nonetheless, while many EDOs are putting succession plans into place, many do not have a formal plan, due to limited resources in terms of funding and time. Such transitions can be critical, and this is where corporate CEOs – those sitting on EDO Boards or committees – can play a fundamental role. The Board of an EDO, as for any non-profit organization, is crucial to the success and sustainability of the organization. Engaged board members can help to assure that the EDO’s mission and finances remain stable during any transition and can actively participate in the recruitment of new EDO leadership from either traditional or non-traditional sources.

Replacing an EDO executive involves a list of tasks that are similar among all firms and non-profits, including decisions on how to conduct a search, possibly naming an interim leader, and ensuring continuity in the organization's daily functions. Yet, in the economic development profession, there are some nuances that need to be acknowledged. Significantly, the complex system in which an EDO operates requires identifying the pattern of behavioral leadership characteristics that uniquely contribute to effectiveness within the EDO environment if optimum performance is to be realized.

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To help refine and improve the hiring process for C-level economic development CEOs and to better understand leadership behaviors, David P. Smith, currently President of HRS, Inc., and James W. Thompson, PhD of Somerville Partners, Inc., undertook two studies in 2014 to develop predictive models for success in the economic development leadership role. The studies were based on defining the relationships between performance on the Leadership Style Indicator® (a proprietary leadership behavior tool developed specifically for this purpose) and competencies unique to the C-level economic development role. One study was conducted for the International Economic Development Council (IEDC) titled, “A Behavioral Leadership Model for Top Performing Economic Development Executives” which focused on regional economic leadership roles. The second study, “High Performing Urban District CEOs:

A Behavioral Competency Leadership Study,” was undertaken for the International Downtown Association (IDA) with an urban/metro focus on leadership.

Using the Leadership Style Indicator® (LSI)⁴, the models provide important screening tools to evaluate and compare candidates for EDO executive positions to maintain excellence in the community during leadership transitions. Corporate CEOs on EDO Boards can take advantage of these models as highly validated, data-driven resources to facilitate the recruitment process, using it to best match a candidate to the position and the community. The effective transition of economic development leadership is vital to maintaining a community’s competitive edge, and it is no secret that businesses prosper in globally competitive communities.

These studies represent the first ever undertaken on behalf of the economic development profession. They provide data-driven models to support both professional development and CEO selection. As an example, the CEOs referenced in this paper completed the LSI leadership assessment and fit the profile for ‘top performing CEOs.’

The studies identified behavioral similarities and dissimilarities between regional CEOs and urban CEOs. These findings will be explored in a separate white paper. Additional validation studies (2018) are currently underway.

Summary

Collaboration between the private sector and local economic development organizations is essential to boost regional and urban investment, sustain a robust talent and workforce pipeline, and create the quality of life amenities required for 21st Century regions and cities. While it is important that all segments of regional and community leadership be represented on public-private partnership boards (foundations, government, community nonprofits, and other mission-relevant stakeholders), the most critical leadership component is the private sector. Private sector, CEO-led boards, provide the vision, strategic leadership (regional and community cohesion), and financial support necessary for economic development initiatives to succeed. Evidence abounds that without strong private sector leadership and financial support, economic organizations become ineffective. But when these critical private-sector elements are present, and you add a highly qualified and passionate CEO to the equation, then growth, quality of life, and sustainable prosperity will result.

⁴ The LSI® is a proprietary instrument utilized for the purpose of executive and professional selection and assessment.

‘Top performing’ economic development CEOs are a key to creating dynamic, globally competitive, and prosperous communities, and when regional leaders work closely with these professionals, regions and cities experience exponential growth and prosperity.

The examples cited in this paper provide substantial evidence of what can be accomplished when the private sector engages with EDO leaders - CEOs who possess strong technical skills coupled with the ability to build effective partnerships and maximize the unique strengths of the community. The examples also demonstrate

a strong correlation between CEOs who exhibit ‘top performing’ behavioral leadership characteristics combined with documented superior job performance. ‘Top performing’ economic development CEOs are a key to creating dynamic, globally competitive, and prosperous communities, and when regional leaders work closely with these professionals, regions and cities experience exponential growth and prosperity.

About the Authors:



David P. Smith is the president of HRS, Inc. and serves as a trusted advisor to boards of economic development organizations throughout North America. He is a recognized thought leader in the field of transformational leadership and is the co-author of ground-breaking behavioral leadership studies for economic development professionals. His thirty-year career spans executive search engagements for Fortune 50 companies, national non-profits, and a diverse array of public-private partnerships focused on community, economic, and workforce development. Mr. Smith led the transformational CEO search engagements for the case studies cited in this paper.



Shari A. Nourick is an experienced, intuitive, and energetic economic development consultant with over 20 years of national and international experience in the private sector, non-profits, economic development organizations, and government. She has a proven track record of balancing both analytical projects and the promotion of programs and concepts. Shari’s activities range from research and drafting of pertinent economic development reports and speeches; to high-level fundraising; to fostering strategic partnerships; and advising on strategic planning. Her work for the Organisation of Economic Co-operation and Development and the International Economic Development Council, among others, has served to boost the profile of the economic development profession and contributed to the industry’s knowledge base.