ENHANCING & SUSTAINING ECONOMIC VITALITY IN LOCAL AND REGIONAL ECONOMIES

G. Gary Manross, Ph.D.
Chairman/CEO
Strategy Research Institute

Enhancing and sustaining **economic vitality** in local and regional economies is often thought of as being dependent upon the ability to attract new businesses and organizations to a respective community, thus enhancing economic vitality by adding new jobs and creating an influx of new monies into the local economy. Such a perspective, however, is long outdated...far too limiting…and does NOT reflect the shift to **The New Economy**.

> A local economy can perhaps be best thought of as being a "living organism"; as such, it does NOT remain dormant, rather, it either grows stronger or it atrophies.

This means that, by definition, developing and sustaining a healthy economy ***requires proactive strategies***. As often pointed out by such prominent economists as Michael E. Porter, of Harvard University, and Tapan Munroe, a futurist and former Chief Economist and Community Economic Vitality Manager for PG&E, such strategies must capitalize upon existing "market forces," as opposed to being dependent upon government subsidies and mandates.

Thus, such proactive strategies can be exploited to their full potential only through public/private partnerships (systematic collaboration) among businesses, government, and community-based organizations.

Specific strategies must be developed that capitalize upon a community's (or region's) inherent characteristics, strengths, and resources that are unique to the respective locale; thus, yielding a marked "competitive advantage" for local and/or regional stakeholders.

Sustaining a Competitive Advantage via Cluster Tactics

The creation of "**industry clusters**" is a relatively recent phenomenon (developed over the past 10 to 20 years) that has proven extremely effective for helping a local/regional economy realize and sustain a competitive advantage based upon characteristics often unique to the respective locale.

Through this strategy, synergy is created by bringing together clusters of complementary firms and organizations in a given industry. Some clusters involve multiple complementary industries.

Regional growth" in the United States today is driven by 18 specific industry clusters that account for 54% of U.S. employment. These 18 clusters are credited, by most economists, as being responsible for the creation of what's being dubbed "**The New Economy**." Experts in economic development contend that virtually every regional economy's ability to grow and prosper rests squarely upon its capacity for shifting to *The New Economy.*

"Cluster strategies" are being employed throughout the U.S. for addressing many of the economic disadvantages inherent to America's inner cities, as well. Not only are individual industry clusters being created within inner cities, but these industry clusters are being linked to existing **regional clusters** that further enhance the economic stability on a even larger scale.[1]

Harvard's Michael Porter spearheaded a *cluster study* of several metropolitan nodes throughout the U.S, including Baltimore, Boston, Chicago and Oakland. In fact, specific industry clusters that hold potential for the City of Oakland were apparently identified and rank ordered, The Oakland CEO Council should secure a copy of the report from The Boston Consulting Group, in which the "findings" from this study are presented.

The Traditional Model of Economic Development

The process of creating and/or maintaining a "dynamic" and "progressive" economic environment is comprised of three criteria. Rank-ordered, they are:

- Retention
- Expansion
- Attraction

Their contribution to the success equation in terms of economic development is approximately 50%, 40% and 10%, respectively.

The present research effort was specifically designed to help the members of The Oakland CEO Council design a strategic plan that will capitalize upon all three of the drivers of economic development. Therefore, these three drivers of economic development will be discussed next.

Retention

The greatest ***return on investment*** is gained through "retention strategies." An economic and social environment must be created that makes businesses and other organizations want to remain where they are, geographically, and "grow" their companies/organizations, at least in part, by capitalizing upon the resources that are made available locally.

Some of the more traditional elements that make a given community attractive for housing corporate headquarters and/or major operations, of course, include:

- the local tax structure;
- effectiveness of local government;
- available labor pools;
- access to capital;
- telecommunications;
- a superior public transportation system;
- high quality educational resources from grade school through graduate schools, and beyond;
- access to the "Arts";
- and-the-like.

Further, stakeholders should capitalize upon the reality that relocating corporate headquarters to a new community is a costly process from many perspectives. First, of course, the physical process of relocating from *point A* to *point B* is

[1] For a more comprehensive discussion, refer to an articled entitled: "**The inner city's competitive advantage**," by Michael Porter and Tapan Munroe . S.F. Chronicle, March 2, 1997.

extremely expensive. An equally problematic issue is that of keeping employees in place and, for those who do stay with the firm, helping them find housing and then moving them to the new location.

As a result, as noted above, at least 50 percent of a region's efforts and available resources relating to economic development should be invested in retaining those businesses and organizations that currently maintain their corporate headquarters or have significant operations in your community.

As significant as the above-noted attributes and deterrents are, however, there are other factors that can result in any given business and/or organization deciding to look elsewhere for housing corporate headquarters; which leads stakeholders to the second criteria of economic development…*"expansion*."

Expansion

Helping businesses/organizations "expand" and "prosper" is the second most important element of effective economic development. As companies expand, their contribution to the local economy grows, as well. Thus, specific steps should be taken to help businesses and organizations located in your community grow and prosper.

For example, growth and prosperity can be nurtured by grouping businesses into **clusters** (telecommunications, high tech, the services, et al.) and then creating mechanisms to provide needed services (support) based upon the common characteristics among the various businesses and organizations in each of the clusters identified. The idea is to create a "win-win" situation for all stakeholders.

Thus, professional services such as accounting, legal services, banking, and others can provide special cluster-based packages designed to help get new companies up and running. This helps create long-term business alliances that place the individuals(s) and/or organization(s) involved in a win-win posture. Such mechanisms also make it easier for government to support multiple businesses through such cluster groups.

Another proven technique that has been successful, especially in recent years, is for local community colleges to develop and sponsor **certified training** programs for employees; sometimes even holding classes on the employers' premises. Or, classes can be held via telecommunications (closed circuit TV, sometimes called long-distance learning), thus permitting various clusters of companies and/or organizations to take advantage of such opportunities simultaneously.

The point is, by "clustering" businesses into categories, stakeholders can initiate economic development programs and activities that are extremely effective for both "retention" and "expansion"; thus, maximizing the ***return on investment*** for all economic development efforts.

At least 40% of the effort put into economic development should involve expansion. Furthermore, these efforts also help in the final element of economic development…that of *"attraction*."

Attraction

While being extremely important, the most costly and least productive of the three elements of economic development is that of ***attracting new companies and organizations into a given community***.

For every firm that is looking to relocate to a new community, there are dozens of cities trying to recruit them; as such, with few exceptions," recruiting efforts should comprise no more than 10% of a community's economic development efforts.

Ensuring success in all three phases of community development depends, in large part, upon stakeholders having *compre-hensive* and *accurate* answers to such questions as:

✓ **What are the expectations of corporate executives and top management of the organizations that currently have headquarters in your community?**

✓ **For businesses and organizations that considered your community for their headquarters, but ultimately selected another community…Why?**

✓ **What do "opinion leaders"** (corporate, government, civic, social, and other community leaders) **throughout the community perceive as being the key attributes that make your community unique? In short, what sets your community apart from the rest?**

The operative concepts inherent to the above discussion are "consensus" and "accuracy." Virtually everyone has strong opinions about such questions; what is needed is a ***consensus among opinion leaders***, especially stakeholders. The only way to secure accurate answers to such questions is through applying the appropriate scientific tools in the appropriate fashion. The present research effort was designed to achieve precisely that end-goal.

G. Gary Manross, Ph.D.
Chairman/CEO
Strategy Research Institute
P.O. Box 6548
Fullerton, CA 92834
(714) 447-4884 Corporate headquarters
(714) 447-4317 Corporate FAX
srimanross@earthlink.net

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