



ENTREPRENEURIAL GROWTH AND RECRUITMENT STRATEGY:

An Economic Development Formula for Success

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BACKGROUND

Historically, most local economic development efforts, or regional efforts among a group of counties, have focused on business recruitment. These efforts have generally been focused on large business recruitment projects. This has often been referred to as the "buffalo hunt." In fact, the term "economic development" has become synonymous in many people's minds with "industrial recruitment."

On a separate track, programs have generally been in place to support small business, entrepreneurial growth. Generally, these small business development programs have been managed and delivered through Community College Small Business Assistance educational opportunities, advisory programs run by organizations such as the Small Business & Technology Development Center, local Chambers of Commerce, or other organizations.

As referred to above, most often these business and industry recruitment efforts and small business assistance programs have been managed by separate local or regional organizations, running entirely independent of each other. In some limited instances, these two programs would be combined.

In fact, more correctly, economic development is a broad discipline which includes efforts such as business/industrial recruitment and expansion, small business development, travel and tourism, international trade promotion, film industry recruitment, and sports events development. There is a better vision as to how business recruitment efforts can be effectively combined with a small business development progress, in a way that builds upon and strengthens the other.

A BETTER WAY

In certain technology sectors, it makes very good sense to combine a traditional recruitment marketing strategy with a small business, entrepreneurial growth strategy. There are several advantages to a joint effort.

First, each approach will support the other. For example, an existing cluster of entrepreneurial efforts within the telemedicine sector in a county or group of counties, will form a strong basis for recruiting companies to put new facilities into that area, or to outsource labor intensive work to that area. Also, by recruiting a major new company in that sector to a county or group of counties, an atmosphere is created that can naturally result in smaller entrepreneurial companies developing around that established presence.

Secondly, the infrastructure needs are the same for purposes of recruitment and small business growth. In the case of telemedicine, this would essentially be a significantly large fiber optic capability. If bio pharma was a targeted industry, essential infrastructure might be significant water and waste water treatment capacities.



Thirdly, work force development programs will feed both economic development strategies. A community college program focused on writing code would support the recruitment of companies and entrepreneurial start-ups.

Fourthly, the product to recruit companies and grow small businesses would often be the same. For example, a wired information center could be used to attract companies being recruited (with immediate availability of a needed facility) and could also be an incubator for early stage companies.

Lastly, the combination of the two strategies does not significantly increase the need for additional resources for the local economic development program. In the small business development facet of this joint effort, other existing resources can be brought into play, such as the above mentioned Community College and Small Business Technology & Development Center programs.

This strategy can work in a number of high technology sectors. The list of targeted sectors could be made much broader, but might include:

- Information technology (from back office operations to other higher tech areas)
- Biopharmaceutical
- Composite materials
- Fuel cell technology

For the purposes of this white paper, the following will focus on information technology.

THE PROCESS

Like all of economic development, any strategy is not an event, it is a process. But correctly conceived and executed successfully success is not a matter of guessing, but a reasonably predictable outcome.

Targeting the Effort

No plan, with even the greatest degree of effort and good intentions, will be successful if the targeted industry is not realistic for the county or group of counties undertaking the effort. It is very important that a qualified and experienced third party be engaged to fully and accurately evaluate the potential for an area to attract and grow companies in a specific sector.

Certainly, local input into this process is important, and ultimately the local leadership will make any decisions of whether to move forward or not, and if so, what industry sector will be targeted. But, relying on experienced third party resources helps to avoid situations such as "being too deep in the forest to see the trees," having a strong willed local leader pull the focus in a nonproductive direction, etc.



This analysis would provide an objective, professional evaluation of:

- Available infrastructure needed.
- Needed improvements to infrastructure.
- Identification and development of a strong leadership team.
- Analysis of existing clusters of similar businesses.
- Recommendations of desirable product to attract or grow companies.
- Recommendations as to financial support initiatives.
- Recommendations of educational/research programs to support the sector.
- A targeted market plan.

The following expands on each of these items.

Infrastructure

A threshold issue is whether the county or group of counties under consideration has the necessary infrastructure to support an industry sector being targeted. Without that, nothing else matters.

For most segments of the information technology sector, this is essentially a significant fiber optic capacity. Most of these companies (other than segments such as hardware manufacturers, server farms, etc.) do not require extensive water and waste water treatment services, substantial electricity or natural gas capacities, or four lane interstate quality access.

Other intangible factors may be important. For example, most people involved in the entrepreneurial areas of the information technology sector desire an attractive quality of life. So resort areas, like the coast, mountains, and areas with significant golf resorts may have a "leg up" on this sector.

Also, in evaluating the infrastructure, attention must be given to any desirable infrastructure improvements. For example, a redundant ring of fiber optic lines would be a desirable or essential factor in recruiting or growing certain types of companies in the information technology sector. If that does not exist, consideration should be given to achieving this in one or more desired locations.

Leadership Team

Any successful new economic development initiative is largely dependent upon having a strong local leadership team in place to support the professional economic developer in implementing the plan. Without that level of committed, influential, and knowledgeable support, one should be hesitant to move forward with a major new economic development initiative.

In all likelihood, this leadership team will not be the same as the traditional economic development board or commission that exists in most counties and regions, although there would likely be some overlap between the two.



For example, in part, the leadership team behind an effort to recruit and grow companies in the information technology sector should have on it executives from local information technology companies, educational institution representatives which will underpin this industry, resources outside of the area who might be able to share insights (such as IT experts), and others who would be particularly supportive of the targeted sector.

This is not just a matter of identifying individuals, but also should involve a professional evaluation of individual character, strengths, and weaknesses utilizing a methodology such as a Tilt® analysis. This will more certainly lead to a group which will effectively be able to sustain the economic development initiative.

Cluster Analysis

Everyone understands that it is easier and more productive to attract and grow companies in a particular industry sector if there is at least some established base of companies in that sector within the county or group of counties under consideration. It is also likely that some of the executives with existing companies in the targeted sector might be desirable members of the leadership team.

So, a part of the implementation of any strategy to attract and grow companies in a sector, such as information technology, should include a thorough canvassing and cataloging of existing companies in that sector within the county or group of counties in question. Also, a selected portion of those companies should be targeted for interviews of the senior executives to evaluate the validity of the planned economic development initiative, to receive input on how best to implement the strategy and to evaluate them for inclusion on the leadership team.

Necessary Product

The recruitment of a company in any industrial sector and the ability to grow companies locally is very dependent upon having the necessary "product" available for those companies. For most recruitment efforts, either an existing quality building or certified site is necessary. For early stage or smaller companies, it is a matter of having either a business incubator or accelerator available, or some smaller office or flex-space facility.

For the information technology sector, it would be highly desirable to have available a fully wired information technology center. This would be helpful in recruiting new companies' facilities. They can quickly move in and be operational. With a few additional attributes, such as common conference room areas, shared office equipment and clerical support, and onsite support services (advisory team, mentors, etc.), the same wired information technology sector can also nurture early stage and smaller companies.

With some creative financing approaches, public funding support, and/or grant funds, such a facility can be created cost effectively in former retail space, former schools, former manufacturing space, or other reasonably acceptable buildings. This can result in a very low rental cost which can be utilized as an incentive in recruiting new company facilities and to support start-ups and earlier stage companies.



To the extent that other industry sectors are targeted, products suited to those types of companies can be sought.

Financial Support Initiatives

In traditional industrial recruitment projects, there are a range of state and local recruitment incentives utilized. These include at the state level direct cash grants; tax credits based on job creation, capital investments, research and development, etc.; infrastructure (water, wastewater treatment, roads, and rail) improvements; training grants and in-kind training assistance; and others. At the local level, these have typically included property tax abatements; fees in lieu of property taxes; grants based on increases in property taxes valuations; infrastructure improvement grants; free or reduced cost land; and others.

Some local governments provide an incentive which would be attractive to larger companies that have been traditionally recruited and would also be attractive to smaller high technology companies being recruited and local companies being grown within the community. This involves providing low cost, subsidized lease rates in buildings suitable for the company involved. This is a great incentive for any company.

But some consideration should be given to financial support which will be of benefit to early stage or smaller high technology companies that are growing. Some initiatives which would be highly meaningful for these companies would be to have available a small venture capital fund or an investor network to make investments into these companies. Early stage and high growth, young companies will come to where capital is available.

Consequently, in the overall evaluation of this joint recruitment/entrepreneurial growth strategy, recommendations should be made as to any financial support programs which would be helpful.

Education Programs

To the extent that educational programs are in place to support a targeted industry sector, a county or group of counties is a step ahead. But to the extent that educational programs are not in place, efforts should be made to facilitate programs which will support the targeted industry sectors.

In the case of an effort targeted at the information technology sector, consideration should be given to the following types of educational programs, as applicable:

- To the extent that the segment of the information technology sector targeted needs people who can write code for computer programs, such as the gaming industry, the community college in the area in question can produce quality graduates in this field. Then graduates can support a company being recruited or smaller, earlier stage companies growing in the area.



- For entrepreneurial companies, a community college's small business assistance program has a plethora of courses in all subject areas, but will support the growth of those companies.
- If an area is recruiting companies' or government agencies' back office data entry operations or call centers, community colleges can provide customized training.
- If higher levels of education are needed to provide trained personnel in more technical areas, or opportunities for employees of companies to seek advanced degrees, a distance learning center connected to one or more of the universities in the state can support those needs.

In short, educational and training programs can be initiated to support the industry sector around which an area is recruiting companies and growing new ones.

Targeted Marketing

All of the items discussed above are a part of important groundwork for the success of any effort. But if a county or group of counties does not organize and execute an effective, affordable marketing effort, all of the above groundwork is of no avail.

First, an area must focus definitively on what segment of the targeted industry it is intending to address. To simply say that one is going after the information technology sector is far too broad. With professional assistance, it must be determined whether the segments of this industry to be addressed might be a lower technology segment, such as back office operations; a higher technology segment, such as the gaming industry; or some combination of more than one segment. The determination of which segments can possibly be recruited and grown in a county or group of counties would depend upon an evaluation of numerous factors related to the area in question.

Once one or more segments have been identified which are possible targets, one has to weigh this against available resources to successfully market to companies within these segments.

For example, if a county or group of counties in North Carolina targets back office operations, bank headquarters in metropolitan areas are easily accessible. If the gaming industry is targeted, companies in this industry and venture capital companies that fund them are heavily concentrated in the Research Triangle Park area. So mounting a marketing effort focused on those industries could be relatively low cost.

Of course, attractive marketing materials must be prepared. And a plan for calling on these companies, or multipliers like venture capital firms, has to be formulated. Professional assistance from one or more consultants with contacts in those industry segments will be desirable.

As recruitment activities are carried out, networking in the area will lead to opportunities to attract local smaller, earlier stage companies.



CONCLUSION

The "buffalo hunt" and growing an entrepreneurial business base are not mutually exclusive or disconnected activities. With creativity, these strategies can be implemented in conjunction with each other, with one strategy supporting the other. Correctly conceived and executed well, this strategy can lead to great economic development successes.

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