

# Regional Economic Competitiveness Strategy

November 2014

# The RECS journey

- 2+ years of effort
- Many stakeholders represented – e.g., large and small business, philanthropy, chambers of commerce, economic development organizations, universities and community colleges
- Major conclusions
  - **The region has made huge strides but more to go**
  - **In order to reach national averages, we must increase the impact of our economic development system even further**
  - **The key is to increase alignment across geographies/sectors and enhance capabilities in selected areas**

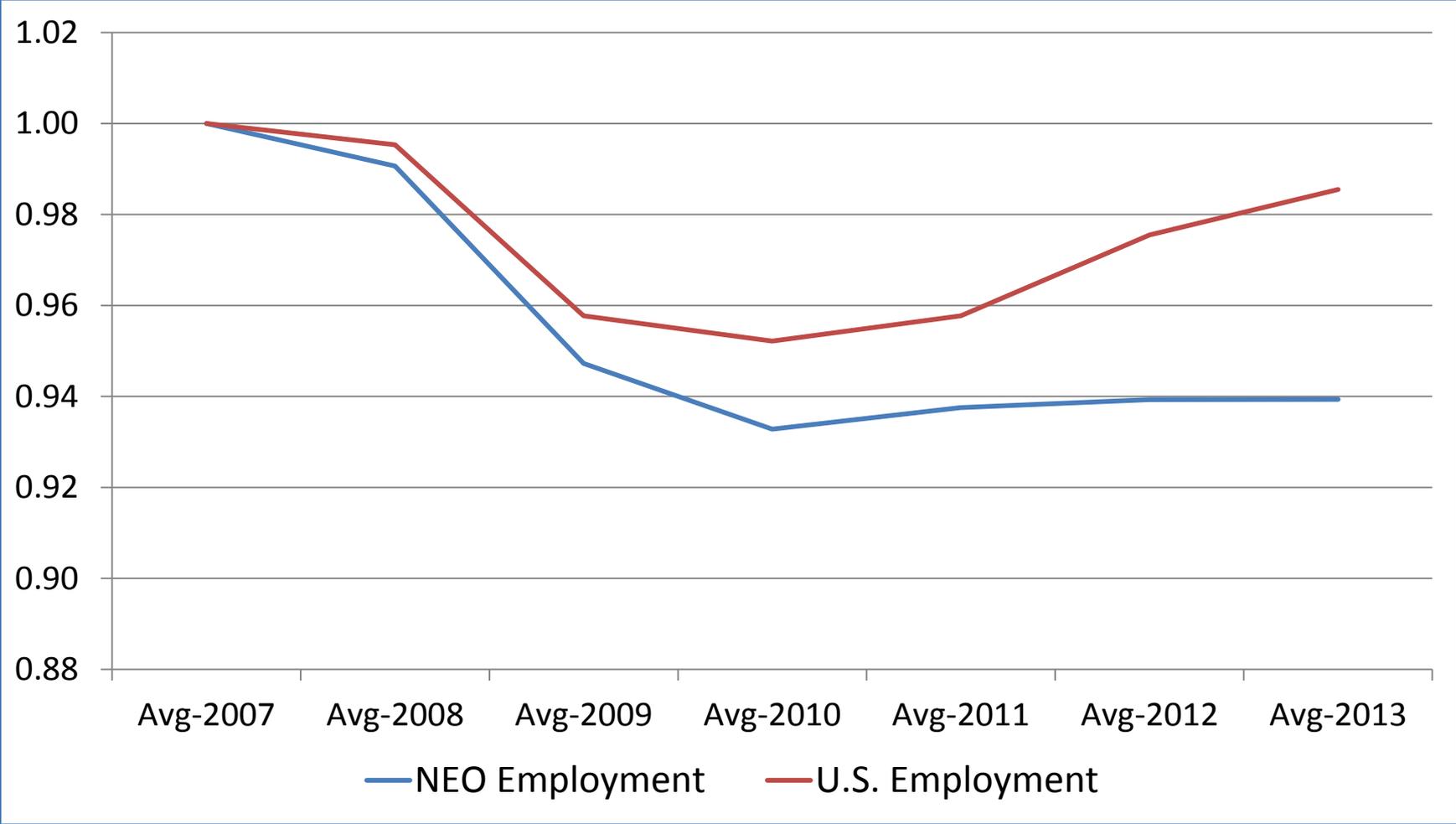
# History: The need for a regional economic competitiveness strategy

- Landscape in 2010-2012:
  - Growing sense that the recovery from the Great Recession was not being felt across Northeast Ohio
  - National discussion around growing economic polarization, with clear indicators here
  - Large investments from business, philanthropy in attraction, entrepreneurship, innovation, but relatively modest results
  - Need to evaluate regional performance against peer regions (Mid-Market and Midwest, manufacturing base)
  - Encouragement from JobsOhio to develop a regional strategy

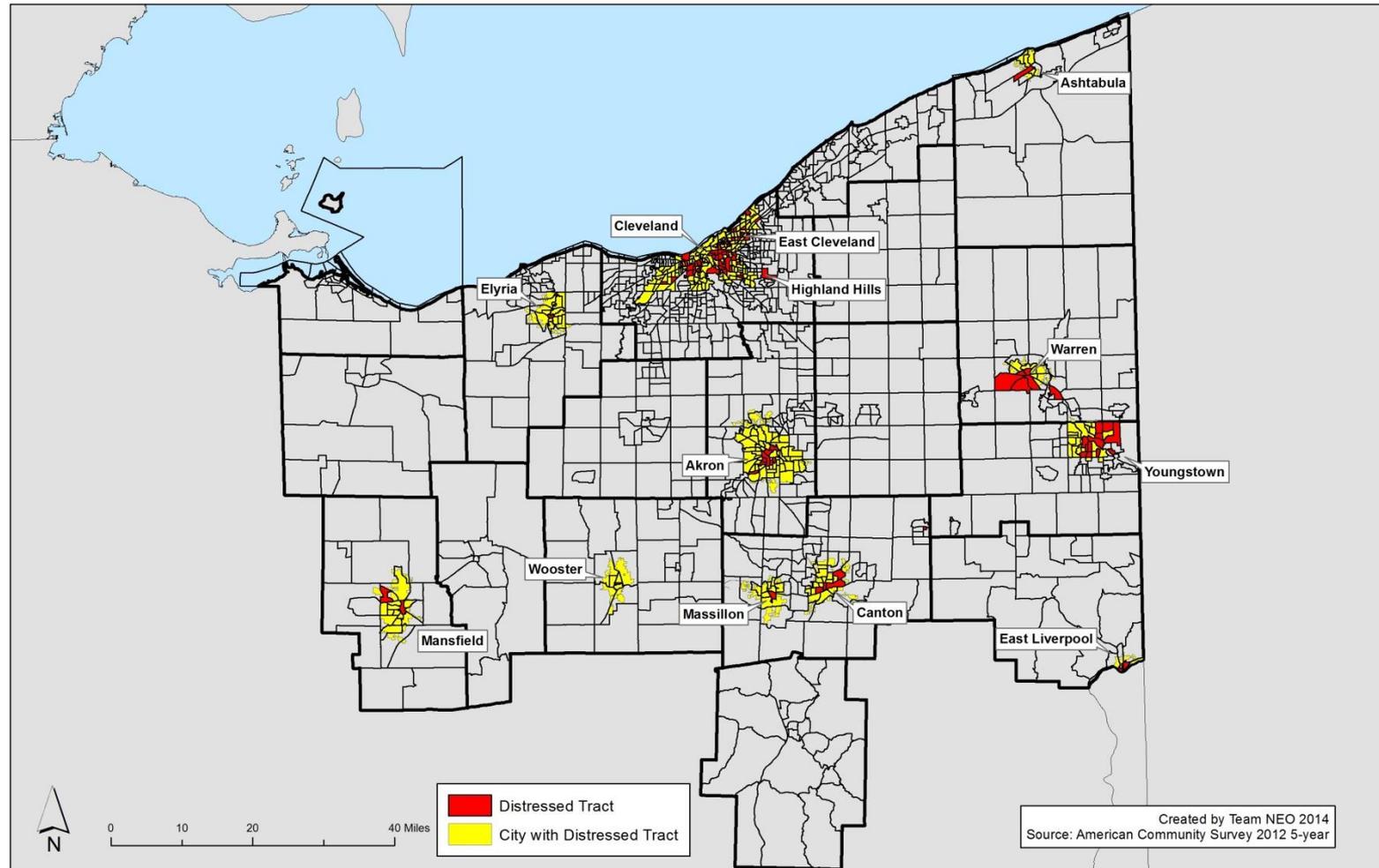
# NEO has been steadily losing economic ground since 1990

- Had the region's growth kept pace with the national average over the past two decades:
  - We would have 400,000 more jobs
  - \$67B more in annual gross regional product
  - Annual per capita income would be \$1,840 higher

# Post-recession NEO employment not keeping pace with the U.S.



# 200,000 people in 10 counties live in economically distressed neighborhoods



1 Distressed areas are defined as census tracts having both less than 65% labor force participation among residents between 25-64 and fall in bottom quartile of median household income. In 2012, this represented about 5% of the 4.4 million residents living in Northeast Ohio.

# The Regional Competitiveness Council (RCC)

## **Business**

Tim Timken, Timken Co.

Bill Christopher, ex-ALCOA Inc.

Paul Clark, PNC Bank<sup>°</sup>

Dan Klimas, Lorain Nat'l Bank

Maia Hansen, McKinsey & Co.

Tony Alexander, First Energy

Jim Clay, Westfield Group

Randy McShepard, RPM

David Mustine, JobsOhio

*Ex-Officio: Joe Roman, GCP*

*Brad Whitehead, FFEF*

Bob Smith, Spero-Smith<sup>^</sup>

## **Philanthropy**

Dave Abbott, The G. Gund Fdn

Ronn Richard, The Cleveland Fdn<sup>\*</sup>

Deb Hoover, The B.D. Morgan Fdn<sup>°</sup>

Roy Church, Lorain Cty. Comm Col

Christine Mayer, GAR Foundation

Bill Seelbach, The G.W. Codrington

Charitable Fdn; Riverside Co.

*Dan Colantone, GAC*

*Pat Kelly, First Energy*

Tim Reynolds, Tribute Inc.<sup>°</sup>

<sup>^</sup> Denotes Business Development Committee Chair

<sup>°</sup> Denotes Governance Committee

<sup>\*</sup>Through Sept. 23, 2014

# Developing a regional strategy

- 2+ years of work
  - Multiple consultants engaged according to areas of expertise
    - McKinsey & Co, Enlight, among others
  - Sequential reviews evaluating, building upon earlier work
  - Volunteer committees of business and philanthropic leaders from across the community
  - Benchmarking evaluations against similar sized regions
  - Research contributions from:
    - The Fund for Our Economic Future
    - The Federal Reserve
    - The Council of Regional Economic Policy Advisors
    - Cleveland State University
    - Team NEO
    - Others

# What did we learn about regions that were performing?

- Higher educational attainment and innovation are critical to economic success
- Growth is not a one-size-fits-all proposition for mid-sized metropolitan areas
  - Job growth doesn't automatically correspond with higher per-capita income; many factors at play
- Diverse entrepreneurial ecosystems are strongly associated with growth
- Industry clusters with robust networks, infrastructure and supply chains in growth sectors can generate significant economic growth
  - Clusters have outperformed in their sector by 2-3% + regardless of industry and geography
  - Well-defined cluster strategies have strong potential for job creation
    - Historical NEO growth rate: 1%; cluster growth rates ~ 3.5%

# Developing a regional strategy

- Review Observations
  - Opportunities in retaining and expanding NEO businesses, building upon strengths in driver industries, in-place innovation sectors, existing entrepreneurship efforts
    - Improved retention and expansion with greater reach could significantly help close the gap toward RECS job creation goals
  - Need to tie efforts across the region together better
  - Need to better integrate workforce and talent efforts with business retention and attraction initiatives
- Systems review in 2014 validated strategy development, provided recommendations on first steps to implement strategy

# Long Term Goals: Translation



	<b>Short term</b> 1-5 Years 2015-2019	<b>Intermediate term</b> 5-10 Years 2020-2024	<b>Long term</b> 10-20 Years 2025-2034
<b>Employment</b>	+0.5% / +10k annually	+1% / +19k annually	Exceed U.S. growth rate
<b>GRP</b>	+1.9% / \$3.8B annually	2.5% / \$5.6B annually	Exceed U.S. growth rate
<b>Per Capita Income</b>	At US growth rate (.5%)		Exceed U.S. growth rate
<b>Labor Force Participation</b>	Increase labor force participation in economically distressed areas <sup>1</sup>		

<sup>1</sup> Distressed areas are defined as census tracts having both less than 65% labor force participation among residents between 25-64 and more than 50% of households have low to moderate income (i.e. 80% of area median).

# Systems recommendations on what will make a difference

1. “Go big” on a small number of clusters
2. “Amp up” Retention & Expansion performance making it more strategic, proactive, and growth oriented
3. Get serious about talent and workforce development, integrating it into cluster and retention/expansion efforts
4. Keep building entrepreneurship and innovation services to high growth potential companies; build out a scaleup initiative

# The enablers are also critical

- Ensure that there is a coordinating body to maintain focus and support for the integrated collective action required
- Speak with one voice on advocacy
- Be more strategic and coordinated in identifying new opportunities (e.g. next clusters, educational attainment, other issues)
- Institute a rigorous metrics and data analytics function
- Develop new funding approaches that bring work to scale and sustains it

# Adapting strategy to structure

- Needs:
  - Body or organization to facilitate coordination among regional economic development system
  - Coordinated strategy and targeting based on region's strengths
  - Function within the system to integrate workforce solutions with business development
    - Exists in certain sectors (e.g., MAGNET, JumpStart) but not broadly
  - More high-quality interaction between region's companies and economic development organizations
- Opportunities
  - Building upon the collaborative RECS work to strengthen working partnerships
  - Combining NorTech's industry cluster & innovation services work with Team NEO's attraction efforts and the Business Retention and Expansion efforts of Chambers, Metropolitan EDOs

# The new organization

- Team NEO & NorTech capacity and functions will be integrated
  - Along with new functions in workforce integration, strategy coordination; emphasis in Shale. Other functions delivered through partners, shared services.
- Organization to use “Team NEO” name
  - Facilitates branding ex-region, particularly with site selectors, until new org is up and running
- New Board will take on responsibilities of RCC – lead coordination
- New CEO to implement the RECS work

# Implications for NEO competitiveness

- Increased coherence of economic development system
  - Facilitates holistic strategy across prioritized workstreams
  - Improved ability to strategize and prioritize creates agility and adaptability amongst network of EDOs
- Accountability built-in
  - Through common board members of partner organizations
  - Through performance metrics and data analytics
- Communications within the ED network are improved, and engagement across the region is strengthened
- Including all NE Ohio – people and communities – becomes fundamental to our BRE&A approach