

Building an Effective Economic Development Program

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ESSENTIALS OF ECONOMIC DEVELOPMENT
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Learning Objectives

1. Identify the characteristics of a high performing ED program
2. Discuss the core components of an ED program
3. Define “success” and “effectiveness” in ED
4. Examine ways to maximize the return on investment in ED

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High Performing ED Programs

- Build analytical capacity to use incentives wisely
- Measure results
- Promote ED that benefits the most people and places
- Know when to collaborate and when to compete

High Performing ED Programs

- Strive to be “business-friendly”
- Balance transparency with client needs for confidentiality
- Invest in **local assets**
 - People
 - Infrastructure
 - Amenities

High Performing ED Programs

- Operate with a strong strategic plan
- Are customer-driven
- Innovate and take creative risks
- Build strong alliances and networks

Source: IEDC, High Performing Economic Dev. Organizations, 2011.

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Components of an Economic Dev. Program

- Visioning/Planning/Strategy
- Organizational Structure
- Leadership and Governance
- Funding
- Performance Measurement and Evaluation

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Visioning/Planning/Strategy

- Engage leaders and community
- Build consensus on priorities and how to achieve them
- Provide direction and purpose
- Target ED resources and programs
- Promote proactive, forward-thinking decision-making

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Strategic Thinking, Planning, and Doing

- Emphasizes *implementation*, not just goal setting and preparing a plan
- Identifies the community assets that provide a competitive edge
- Positions the community for change
- Balances the short-term and long-term

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Organizing the ED Program

What type of structure?

- Public
- Private
- Non-profit
- Public-private partnership

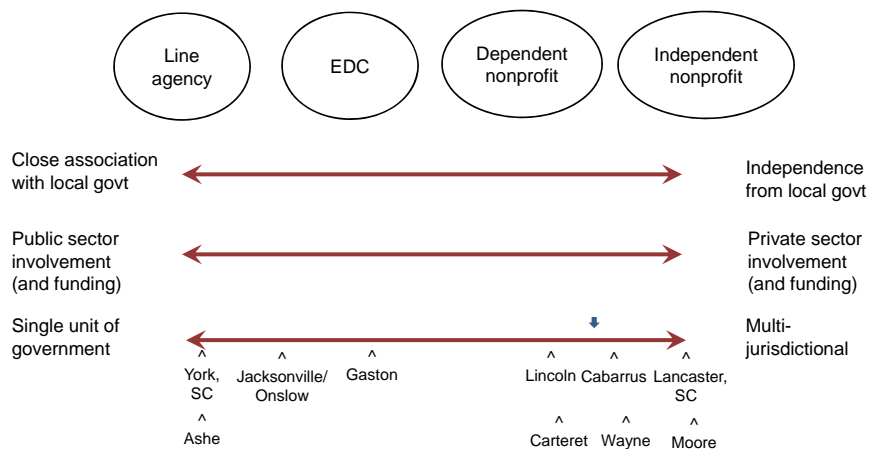


Alternatives for Organizing ED

- Line agency within local govt.
 - With or without an advisory board
- Statutory economic development commission (EDC)
- Dependent non-profit
- Independent non-profit



Continuum of alternatives for ED organization



Line Agency for ED

Advantages

- Wide range of statutory authority for ED
- High level of policy coordination and budgetary control

Disadvantages

- Cannot guarantee private loans
- Low private sector involvement
- Less responsive and flexible
- Too much political influence

Statutory ED Commission (EDC)

Advantages

- Creates some independence from elected board and manager
- More substantive role for private sector

Disadvantages

- Less formal authority than line agency for certain ED activities

Dependent Nonprofit

Advantages

- Some freedom from governmental constraints while retaining a degree of formal control

Disadvantages

- Can essentially become a public agency with too many formal ties to local govt.

Independent Nonprofit

Advantages

- Greater flexibility and responsiveness to private sector needs
- Highest level of private involvement

Disadvantages

- Policy coordination can be more difficult
- Accountability concerns



Trends in ED Structure

- Public-private partnerships
- Formal collaboration across jurisdictions and sectors
- Specialization and “market” segmentation
- Greater role clarity



Leadership and Governance

- Professional staff
- Elected officials
- Governing boards
- Private investors
- Advisory committees
- Stakeholders and allies



ED Leadership Roles

- Catalyze
- Communicate
- Convene
- Connect
- Collaborate



ED Leadership Traits

- Proactive
- Adaptable and Flexible
- Knowledgeable and Competent
- Innovative
- Entrepreneurial
- Results-oriented



ED Leadership

- Team-building
- Strategic alliances and partnerships
- Investor relations
- Creating “shared value”



Funding the ED Program

- >90% of EDOs receive public funding from federal, state, or local govts.
- Less than 7% are purely privately funded.
- Local govt. is the most common ED funding source.

Source: IEDC, New Realities for Funding Economic Dev. Orgs., 2013.

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Local Govt. Funding Streams for ED

<u>Type of Funding</u>	<u>% of EDOs</u>
General Fund	72.6%
Sales Tax	18.3%
Taxing District	14.2%
Other	29.4%

Source: IEDC, New Realities for Funding Economic Dev. Orgs., 2013.

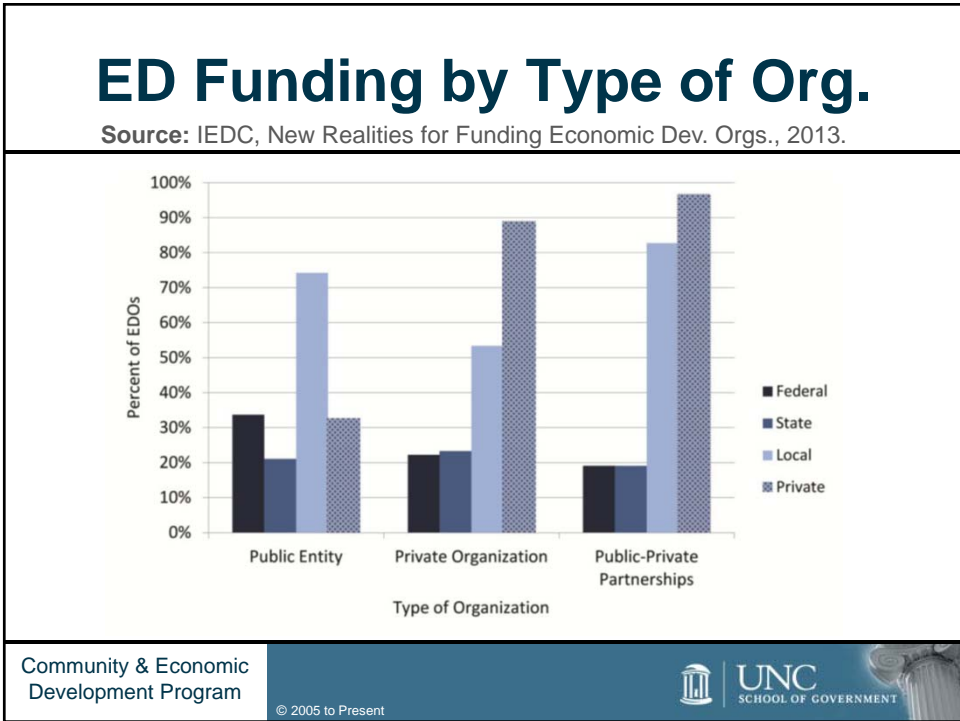
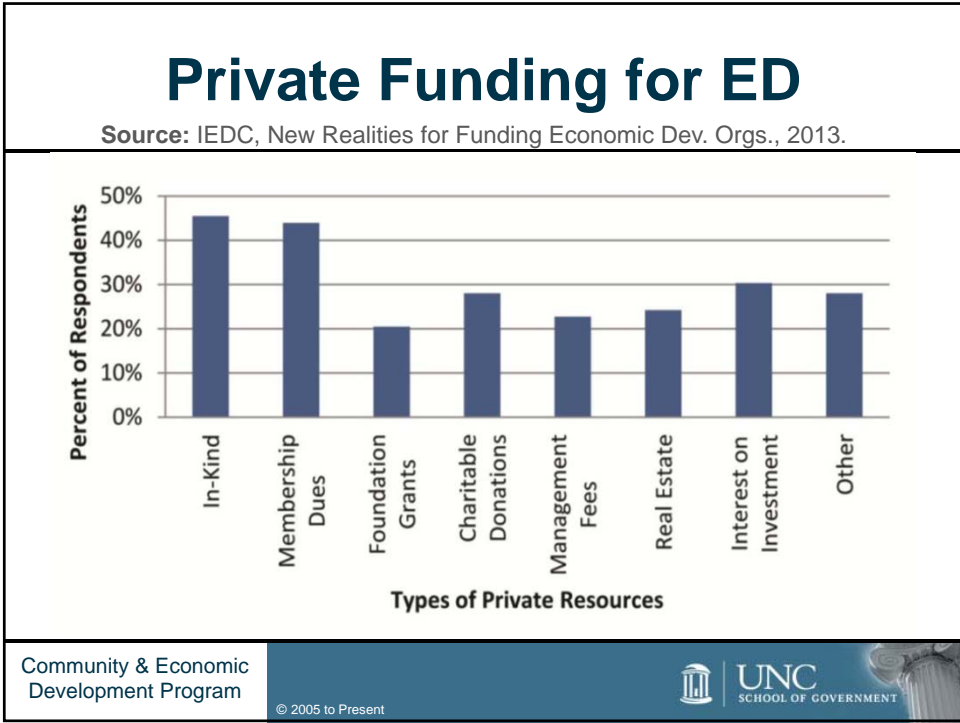
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Trends in ED Funding

- Decline in public funding streams
- Pressure to diversify funding sources
 - More private dollars
- Limit dependence on public dollars
- Fee-for-service models
- Non-traditional funding sources



Measuring Results in ED

- What does “**success**” look like?
- What does it mean to be
“**effective**” in ED?

(See Ammons and Morgan article)



Performance Metrics

- **Outputs/Activities**
 - No. of business inquiries
 - No. of companies assisted
 - No. of existing industry calls and visits
- **Outcomes**
 - No. and quality of jobs
 - Amount of investment
 - Increase in tax base
 - Increase in average wage levels

Measuring Results

- New metrics that capture results and outcomes; not just effort.
- Metrics not fully within the control of ED program
- New economy and QOL metrics
- Capacity-building measures

An Investment Approach

1. Strategy (Asset-driven)
2. Partnership and Collaboration
3. Accountability
4. Monitoring and Evaluation
5. Confident Negotiation

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Implementing An Investment Approach

- Tie incentives to strategic planning
- Measure results and outcomes
 - Economic and fiscal impact analysis
 - Return-on-investment
- Know the bottom-line on a given project
- Performance-based contracts with clawback provisions

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Reality Check

- To what extent does your jurisdiction have a high-performing economic development program?

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