Red Paper

Economic Development and Corporate Intelligence: How Information Fuels Growth

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Austin, Texas is on a roll. For the fourth consecutive year, Forbes put Austin on the top of its list of America's Fastest-Growing Cities.[1] With a population growth rate at 2.5 percent and an economy that grew by nearly 6 percent in 2013, Austin is a shining example of how economic development can flourish when supported by a proactive recruitment plan and the right information.

A decade ago – in the aftermath of a tech bust which hit Austin especially hard – the Austin Chamber of Commerce identified three specific regions where the cost of doing business was high – California, the Upper Midwest and the Northeast. Then it actively recruited a diverse array of businesses from those regions, touting Austin's business-friendly climate and wealth of available talent. The result? Dave Porter, Senior Vice President of Economic Development at the Austin Chamber told Forbes, "We've had 307 companies move here in the last 9 years." Despite a lackluster U.S. economy, Austin is not the only economic development success story to be found. **This white paper looks at economic development today and explores how corporate intelligence tools support economic development efforts.**

Fostering Growth with Innovative Tactics

City, county, region or state – for any of these locales, effective economic development strategies are crucial to encouraging sustainable and profitable growth. During a recession economy, operating in growth mode can be even more challenging as a typical economic development approach involves offering tax incentives at a time when tax revenues are already declining. Fortunately, several trends in economic development are empowering governments and organizations to achieve positive results – in good economic times and bad.

Revitalizing Local Economies with Innovation Districts

For decades, cities experienced an exodus of businesses and residents as they opted for suburban sprawl instead. In recent years, the tide has turned and many urban centers are experiencing a renaissance as a result of the development of innovation districts designed to attract residents back and spur economic development.

A paper co-authored by Bruce Katz, vice president at the Brookings Institution and founding director of its Metropolitan Policy Program and Julie Wagner, a nonresident senior fellow with the program, explores this trend. The authors see innovation districts as "… the ultimate mash up of entrepreneurs and educational institutions, start-ups and schools, mixed-use development and medical innovations, bike-sharing and bankable investments—all connected by transit, powered by clean energy, wired for digital technology, and fueled by caffeine."[2] Boston, Cleveland, Portland and Seattle – among others – are all using innovation districts to breathe new life into neighborhoods and establish dynamic economic engines. While these areas

all have unique features, the Brookings paper defines three assets that innovation districts have in common:

- Economic assets such as companies, institutions and associations – including economic development organizations – that support and drive innovation
- Physical assets including both public and privately-owned spaces that have been optimized for connectivity and collaboration
- Networking assets which are represented by a robust web of individuals and resources designed to help entrepreneurs, start-ups and mid-size companies grow and succeed.

A variety of innovation district models exist – from urban areas anchored by major businesses, universities or healthcare facilities to suburban 'science parks' that have been urbanized to reduce sprawl. The National Governors Association notes, "Cluster-based economic development strategies emphasize focusing services on geographically concentrated firms in related industries that share needs for common talent, technology, and infrastructure."[3]

"Innovation districts have the unique potential to spur productive, inclusive and sustainable economic development."

Several states, including Ohio, have a hub strategy that focuses on urban revitalization through development of incubators and business clusters that match the core strengths in a given region. Dayton, Ohio, for example, is an Aerospace Hub of Innovation, supported by its proximity and collaborative relationships with the University of Dayton Research Institute, Wright Patterson Air Force Base and the second highest number of high-tech incubators in the country.[4]

Industry cluster and innovation hub strategies like this rely on what the National Governors Association terms an "ecosystem of statewide proficiencies" which includes business leaders, mentors, research institutions and other resources that businesses need to become high-growth organizations capable of competing in a global economy.

As the Brookings paper notes, "Innovation districts have the unique potential to spur productive, inclusive and sustainable economic development. At a time of sluggish growth, they provide a strong foundation for the creation and expansion of firms and jobs by helping companies, entrepreneurs, universities, researchers and investors—across sectors and disciplines—co-invent and co-produce new discoveries for the market."[5]

Cultivating Local Businesses through Economic Gardening

While not a new concept, economic gardening has gained ground as a viable approach to economic development in recent years. It is especially attractive during a down economy because instead of recruiting large, out-of-state businesses using incentives that siphon tax revenue and more from the local economy, economic gardening focuses on developing promising businesses within the community instead.

The practice originated in Littleton, Colorado following a devastating loss to the community. When a major employer departed the city, the company left 7,800 people out of work and nearly 1 million square feet of industrial and office space empty.[6] Determined to avoid such vulnerability in the future, the economic development team, headed by the city's business director Chris Gibbons, looked to a theory set forth by MIT economist David Burch. According to national statistics, mid-size companies – those that employ 10 to 100 people and have an annual revenue of at least $1 million – represent 10 percent of businesses, yet they create 35 percent of jobs. Burch surmised that these organizations, identified as Stage 2 companies, fuel the type of job growth that can sustain and grow an economy.

Gibbons believed that by developing local businesses that met the Stage 2 criteria, the city could achieve growth in jobs and tax revenue, and simultaneously avoid the pitfall of depending on companies with out-of-state headquarters. As Gibbons noted in one interview, "Our future was being determined by people far, far away. They didn't have to see the people in the grocery store on Saturday that they laid off."[7] In the decades that followed, the number of area jobs tripled and tax revenues grew by 350 percent.

One key to economic gardening, according to the National Center for Economic Gardening (NCEG), is offering customized services for Stage 2 companies including "sophisticated business intelligence tools and databases that growth companies either aren't aware of or cannot afford."[8] Research specialists tasked with working with Stage 2 companies help the organizations leverage business intelligence to:

- Make more informed business decisions
- Identify market trends, competitors and untapped resources
- Develop targeted marketing plans based on geographic mapping

Further assistance with search engine optimization and social media marketing round out the key areas used to drive growth. Network Kansas, a state-wide economic gardening initiative, announced in a June 2014 press release that during its recent 2-year pilot program, participating companies significantly outpaced annual revenue growth of other Stage 2 companies by an 8:1 margin.[9] The access to business intelligence tools offers a distinct advantage.

Addressing the Challenges of Economic Development

The common denominator among the various trends for economic development is collaboration. Whether it is among local corporate, academic and civic leaders or across regional and state boundaries, economic development relies on partnerships to meet workforce demands, logistical needs and more.

Yet, according to the National Governors Association, the lack of coordinated efforts is one of the biggest problems hampering economic development efforts. To address this problem, a number of states have legislated programs to improve economic development programs. In Tennessee, for example, the state developed a Jobs4TN program that spreads state staff and programs regionally. State economic development officials divided the state into nine regions, awarding $250,000 competitive grants to business accelerators – one in each region – to "serve as the 'front doors for entrepreneurs'" across the state.[10]

"…More robust business intelligence systems would lead to improved economic development efforts."

States also face a shortage of skilled economic development professionals. Having easy-to-use business intelligence tools for tracking, measuring and analyzing economic development initiatives could alleviate some of the burden, saving time on research and on tedious manual updates to spreadsheets. "Unfortunately, government agencies can lack the modern systems necessary to track their information effectively," notes the Governing Institute.[11] In fact, according to a survey conducted by the organization, more than half of the respondents said that more robust business intelligence systems would lead to improved economic development efforts. These tools may include customer relationship management (CRM) systems and enterprise resource planning (ERP systems), as well as corporate intelligence resources.

Using Corporate Intelligence to Inform Strategies

With relevant company information at their fingertips, economic development professionals are able to

address many of the challenges they face. In addition to helping individuals to do more in less time, a corporate intelligence database can be used to keep a CRM or ERP updated. The value goes well beyond maintaining records, however.

As success stories from economic gardening efforts have shown, business intelligence tools empower businesses to make smarter, more strategic decisions. For example, a tool that provides corporate hierarchies can be used to identify business relationships between subsidiaries and corporate parents, even when the names are unrelated. This is useful for identifying both growth opportunities and risk potential. In addition its usefulness in business development and sales, actionable data can help Stage 2 companies and others with their marketing, credit and collections, supply management, executive recruitment efforts and more.

In addition, a robust corporate intelligence database can help economic development officials map out opportunities. Examining the mix of businesses in a specific region could help define target areas for hub development. The ability to search by region or by zip code also helps businesses identify potential customers and suppliers, providing growth opportunities, as well as logistical advantages with the potential of reducing transportation or shipping costs.

Corporate intelligence tools also provide a foundation for making the right connections. With deep executive and board member biographical information, economic development professionals can uncover background details – from past and current corporate relationships to collegiate or charitable affiliations – that enable them to network more effectively with individuals that are needed for truly collaborative, successful economic development initiatives.

About Corporate Affiliations™

For nearly 50 years, *Corporate Affiliations* has been empowering decision-making with strategic corporate family data and coverage of key executives and directors for the organizations that drive the global economy.

[1] http://www.forbes.com/sites/erincarlyle/2014/02/14/americas-20-fastest-growing-cities/
[2] http://www.brookings.edu/~/media/Programs/metro/Images/Innovation/InnovationDistricts2.pdf
[3] http://www.nga.org/files/live/sites/NGA/files/pdf/2013/1308TopTrendsinStateEconDevPaper.pdf
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[6] http://www.governing.com/topics/finance/gov-how-to-grow-businesses-that-grow-the-economy.html
[7] Ibid.
[8] http://edwardlowe.org/tools-programs/economic-gardening/
[9] http://www.networkkansas.com/about/news-and-media/news-detail/2014/06/17/news-release-kansas-businesses-report-a-boost-in-growth-after-participating-in-kansas-economic-gardening-network
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