

## Article – December 08

### A New Breed of Economic Development Organizations

Recognizing that times are changing is an understatement. Strategic and thriving organizations are the ones that adapt to their new environment and even go beyond by being prepared for what's coming next. Even in the last 10 years, in good times, more and more investors and analysts were starting to question the efficacy of economic development organizations' services. Some are working on pre-qualifying EDO before starting to work with them. As an American Express executive indicated in the last edition of Foreign Direct Investment (Oct/Nov 08): "*We are fast approaching a world where we will ask EDOs for a prequalification screening/tender response before we agree to work with them. There is too much amateurism out there...*"

In the investment promotion business, some have said that those organizations have been a barrier as opposed to an accelerator for investments. Many economic development organizations (EDO), especially the ones with an investment promotion mandate (IPA), forget that there are 6 000 agencies around the world competing for a limited stock of investments (FDI). Few have adapted to this new increased competition and the new complexities of the investment supply chain.

This new environment has repercussions on local economic development programs as well because of the highly integrated economies and globalization. If we take a hard look at these programs, most are in the business of protecting jobs instead of building tomorrow with mechanisms that leverage their strengths. How many of those programs are really worth the taxpayers' money? If they are not working on the productivity of workers, innovation and infrastructures, the major drivers of growth, there are good chance the ROI (return on investment) is weak. Moreover, in the US for example, there is an opposite relation between economic development programs and growth. Yes you read correctly. For example, you just have to take a look at Delaware or Tennessee (the Tennessee Valley) vs Pennsylvania, Michigan, Illinois. The latter are inundated with economic development authorities (you could make the same case in some provinces in Canada) and still feature sclerotic annual growth level. The former are being thoughtful in providing a genuine environment to foster growth by accommodating private interests instead of supplanting them. High per capita income improves standards of living not subsidy programs.

Hence, 21st century economic development organizations will have to look at their modus operandi to match the requirements of this new environment. Again, as I have explained in other articles/newsletter, keep in mind that a world where cheap money (low interest rate – loose credit) is no more will yield a considerably different picture than what we have seen before. Some sectors will go through dramatic changes and others will be obliterated.

Here are guidelines to make that change:

### **Focus and sector knowledge**

Clients will look at your relationships with clusters, academia, thought leaders which translate in better advisory skills. This is in opposition with the simple enquiry handling and facilitation of government incentives. You must go beyond the promise of a chequebook.

### **Data is not Information**

EDOs focus much on data and statistics but it's mostly the ability to take the relevant data and tailor it into a compelling proposition.

### **Wealth Creation vs Job Creation**

Job creation (for the sake of it) is associated with a commodity mindset which you will not be able to sustain in the 21st century (even more difficult in a tight credit environment). On the other hand, wealth creation strategies built around clusters and collaborations that link unique assets within a community will surely be more helpful and can be employed by every community.

### **Stop Planning, Start Doing!**

It is easy to recognize EDOs and regions where execution is part of their DNA: they are focused, realistic and they quickly translate ideas into action. At the opposite, you have EDOs who feel they are doing something by simply commissioning studies and doing strategic planning. Economic transformation does not occur because of strategic planning but, rather, by strategic doing.

### **Innovation for All!**

A productive economy, thus an innovative one, happens when innovation occurs across all sectors – from pizzas to processors. The only way to build a resilient economy is to have a maximum of businesses that are innovators (+ 50%). The job of economic developers and community development professionals is to create communities where innovation occurs. First is to stop thinking R&D = innovation. Innovation is the tool the entrepreneur uses to move resources where there is low yield to a higher yield (increased productivity, increased per capita income).

### **Old Breed / New Breed**

Old breed of EDOs are incentive led with a geographic approach. New breed of EDOs have a consultative and sector approach with a strong commercial narrative. The new breeds tend to adopt a private sector approach with strategic account management methods, outsourcing surveys, pipeline building, etc.

### **Would I pay for it?**

It is helpful in doing a strategic review to ask yourself if the services you offer your clients would be worth paying for. It is not to say you have to start charging but it is useful to adopt a different mindset and address the quality issue where there is much room for improvement.

**Areas where you can help investors/business community**

Reduce project time to market by eliminating red tape, making introductions, project management, recruitment, access to local networks. Networks can help you and your business community recognize and react more quickly to opportunities. Successful companies have done just that by constantly evaluating the marketplace and then, quickly forming alliances and partnerships to capitalize on the opportunities. EDOs have been slow in adopting the collaborative model because it is parting with the passive traditional enquiry attitude. Building effective networks takes a proactive attitude – it takes time and energy.

Economic development organizations must become leading service organizations with a full comprehension of business imperatives to help new investors and their business community reduce risk and increase the value of their projects.