



Cincinnati Fountain Square

Incubate or Accelerate? “Best Practices” for Launching and Growing Business

By: Steven A. Spalding

The CEO Resource is a periodic hot sheet of resource information for our colleagues, Chief Executives and Senior Management in business and leadership.

Our focus is to help senior management and company owners accelerate their pathways, first to “success” and then to “making a difference” - a significant difference for their families, their stakeholders and their communities. The CEO Resource is a time sensitive tool directly responsive to this critical focus.

San Diego EDC Receives First-of-Its- Kind Grant for Mega- Region ED Strategy

KMKC congratulates the San Diego EDC for securing the first-ever federally funded initiative designed to strengthen their bi-national mega-region’s global competitiveness.

The \$225,000 grant from the US Department of Commerce is intended to ensure that high-wage industries flourish within the larger mega-region by creating an economic environment attractive to outside investment San Diego and Imperial County’s and Baja California

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KMK Consulting clients frequently ask, “Should we build an incubator as part of our economic development strategy?” Some have the impression that incubators are an outdated concept that has been overtaken by “business accelerators” - a more aggressive approach to promoting the growth of start-ups and young businesses. Others ask, “What’s the difference?”

Picking the right tools to promote start-ups and fast-growing small businesses requires an in-depth look at a community’s goals and the industry sectors it wants to develop. Its technology assets and its culture for making higher-risk investments must be factored in. Definitions of incubators and accelerators aside, the most fundamental question facing economic development organizations in deciding their strategy is to

determine whether their community is well-positioned to pursue an entrepreneurial-based strategy, versus a more traditional corporate relocation and expansion strategy.

David Birch’s Influence

In the late 1970s and early 1980s, David Birch, then a professor at MIT, permanently changed the landscape of economic development. His research, derived from Dunn and Bradstreet data, showed that new and small businesses create the lion’s share of new jobs. His findings were a “disruptive event” that caught the attention of policy makers and economic developers everywhere.

Birch’s crusade against “smokestack chasing” - efforts to attract large plants of Fortune

500 and multinational companies - focused on the fact that the search by large companies for higher productivity *always* will result in substituting capital for labor, or cheaper labor for current labor. Thus while large corporations contribute to the local tax base and provide many benefits, they ultimately are not the primary fountainhead for job creation in the communities where they are located.

New and young, smaller companies - which Birch named *gazelles* - expand both employment and income at a rapid rate, as they seek to establish a critical mass of market share for their new products or services. While there are casualties along the way, the collective growth of the survivors contributes more jobs to the economies of countries and local regions.

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Place Branding A Winning Economic Development Strategy

By: Nicholas J. Vehr
Vehr Communications

Competition is fierce. Buyers have choices. Buyers choose “brands” that promise them something and then deliver on the promise. And, we’re not just talking about soap!

In today’s “flatter world,” competition is increasing for cities and regions as well - competition to attract and retain talented workers and the businesses that employ them. Talent increasingly chooses

place over profession and perceptions of place - the promise it offers to “me” - influences choice. So, place matters.

In economic development terms, place branding matters. E.D. professionals play to win. Place branding is finding its place in their tool box because it works; it helps to differentiate their “place” in ways that matter most

to today’s enlightened work force.

Place branding helps to stimulate and organize community consensus, motivate collective action, inspire emotion and awaken pride ... qualities that matter to workers who yearn to be “someplace” rather than “anyplace.”

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The “Missing Link” in Corporate Environmental Policies

Reducing Your Employees Commute and Its Pollution

By: Greg Otis, AIA
GBBN Architects

As Kermit the Frog used to say: “It’s not easy being green.” But corporate America is giving green a big push, especially since 2005 when several of the largest U.S. corporations came out publicly on this issue, such as G.E. For many of those companies, they have more global sales outside the U.S. than inside. And they are subject to much stricter environmental legislation and standards in other parts of the world, where the adoption of the Kyoto Protocol is nearly universal.

Typically, corporate environment policies attempt to cover these significant areas: Reduce, Reuse, and Recycle; Control of Chemical Substances; Control of Business Processes; Design; Manufacture; Logistics; Sale; Disposal; Environmentally Conscious Products; Building Design and Operations; and, Corporate Business Travel.

While companies are focusing on improving their environmental footprint in many areas, having reviewed several corporate environment policies, *none* make any mention of the pollution caused by their employees driving long distances to get to work. Apparently, this activity fails the current definition of a “business process”. But it is a very large contributor to emissions, pollution, and global warming, not to mention requiring a huge investment in public infrastructure to carry all that traffic.

A seminal book has just been published titled “Sustainable Urbanism”, by Douglas Farr. While it gives appropriate emphasis to the proper design of buildings and products in a sustainable world, it spends much of its time on *density and distance*. Simply put, we use too much land per person and travel too far on a daily basis per person in automobiles in America to be sustainable. This wasn’t always so.

Every decade since 1960, the majority of workers in our cities have moved an average of 3-5 miles further away from their place of work, and they live in a less dense housing environment than before. The result is congestion and very long commutes, an enormous strain on the air quality in our

cities, and a bad reputation for contributing to global warming. No matter what else a corporation might do to improve its environmental footprint, the lack of a pro-active plan to address its employee commuting trends is a big missing link in its corporate policy. It is also a problem in basic HR policy regarding the attraction of knowledge workers in the future. And it is getting worse as gas has risen above \$4.00/gallon.

But, you say, an employee’s home location decision is not a direct matter for corporate policy, whether environmental or HR. True enough. But, corporate policy can be very influential in creating housing options that are attractive, well located near the workplace, sustainable, affordable, and lifestyle competitive. The answer is not to

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Putting the NexGen to Work in Economic Development

By: Joseph E. Sprengard

Why do we overlook the Next Generation (“NexGen”) of leaders when building and executing our economic development programs? Is it because we are convinced the “old guard” knows best, is more influential, has a larger rolodex and can invest the largest amount in our organizations? Perhaps these factors are true – which we believe they are – but they should not preclude us from engaging the very people our markets are working to attract and retain.

There’s a reason great companies, such as General Electric, which has championed the philosophy of building strong leaders by continually challenging them with new roles and responsibilities that stretch their limitations, invest in succession planning and knowledge transfer. They understand that deliberate succession planning minimizes the impact of delivery system interruptions (such as leadership and generational transitions) and ensures productivity, innovation and organizational pride remain at its optimal level.

Economic development organizations should do the same --- they should invest in leadership succession planning and knowledge transfer to ensure the strategies of today are influenced by the generation that will ultimately inherit their results.

Identifying, Recruiting, Assembling and Activating the NexGen

The NexGen is commonly misunderstood. Senior leaders often believe the NexGen is

interested in social events, happy hours, and meet & greets. This couldn’t be further from the truth. While social interaction and networking are valued and important, young leaders will organize their own happy hours if desired. NexGenners are driven to lead, contribute and impact the future. They are driven to be entrepreneurs, to create, to change the rules (respectfully) and to accelerate their market’s successes. With their attitude and energy, it is incumbent upon economic development organizations to implement a leadership infrastructure that harnesses their talents, captivates their minds, and puts them to work in meaningful and substantive ways that will enhance the community’s economic future.

Identify. Identifying NexGen leaders is easier than you might expect. We suggest asking your most committed stakeholders if they were retire tomorrow, who from the NexGen would they hand pick to run their organization? Visit with him or her, and ask them who from the market would they surround themselves with if they were to engage in a meaningful, serious endeavor that has the potential to impact the market? After engaging in a few of these conversations, don’t be surprised if you begin to hear many of the same names. As with CEOs in a given market, there tends to also be a few highly respected young leaders that others will follow.

Recruit. Build the initial team around a small group (2-3) of leaders and empower them recruit the other members. Peer to

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Economic Development Leaders Respond to Cut Backs in Public Sector Financial Support

By: James J. McGraw, Jr.

One more significant consequence of the real estate downfall, oil price explosion and weak dollar painfully hitting economic development practitioners and their Boards of Directors is the loss of funding support from the public sector, as state and local governments wrestle with budget deficits. Florida is just one example of cutbacks and responsiveness.

Consider: last year the Florida Legislature set aside a \$200 Million Innovation Fund for attracting major technology and research based projects to the state. It is this fund over the last few years that has made significant business attraction wins such as the Scripps Research Institute, the Torrey Pines Institute for Molecular Studies, the Max Planck Institute, and the Burnham Institute for Medical Research possible. The state provided unprecedented incentives to these and other renowned organizations, establishing the foundation for a sea change toward bioscience and biomedical industries and jobs. In the Florida legislative session this Spring, that \$200 Million incentive fund was reduced to zero. However, rallying leadership, including that of the Florida Chamber, Governor Charlie Crist signed S.B. 2310 allowing 1.5% of state pension fund assets to be invested in technology and growth enterprises, which totals about \$1.95 Billion.

Further, at the county level, cutbacks to local economic development corporations have been implemented in the range of 20% to 30%, with the possibility of further cutbacks on the horizon. Such budget woes are compounded by the change in competitive positioning of a number of markets, already challenged as a consequence of the depressed housing and related real estate sector. One such example was driven home last month when the Tampa Bay Partnership released its quarterly economic report card temporarily placing Tampa Bay last among its peer review markets of Dallas, Atlanta, Raleigh, Charlotte and Jacksonville. This quarterly metric system, watched very closely by Tampa Bay businesses, measures employment, income and productivity, housing, innovation and education.

With these kinds of examples, even best of class economic development organizations are put to the test. How they respond, is indicative of the level of appreciation that the business community has for the critical work of these organizations and the priority of economic development in the competitive fabric and prosperity of their regions.

At least speaking for KMK Consulting clients, organizations such as the Broward Alliance, the Metro Orlando Economic Development Commission and the Tampa Bay Partnership are responding to this call to action with more focus, more dedication toward deliverables and more private sector leadership. For example, the Broward Alliance, which covers the Greater Ft. Lauderdale area, has launched an entirely new corporate attraction program led by Broward County's 18 most influential CEOs including Wayne Huizenga, Mike Jackson, CEO of AutoNation

and Ray Ferrero, President of Nova Southeastern University, and has announced a 100% increase in its overall operating budget. "It's a new era in economic development for Broward County. Our business leaders are fully engaged. We are very excited about our opportunities," says Kathy Koch, the Broward Alliance Board Chair.

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NexGen

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peer influence works best, as with most other solicitations. The optimal size of the group is 15-20, which could eventually transform into a bigger organization if desired and necessary.

Assemble. Enlist one of your senior, most respected, leaders to host the initial NexGen meeting and to serve as their mentor. Like everyone else, NexGenners also value being exposed to the "big dogs." You are assured great attendance and immediate commitment. We suggest using the initial session as an opportunity to educate NexGenners on the role of the EDC, which, as we know, is a common challenge...leaders often don't understand what economic development organizations do and why they are immensely important to the markets they serve.

Activate. Successfully activating the group first requires clarity of purpose, or "the end in mind," which is why we suggest the EDC be prepared to offer multiple suggestions how the NexGen can significantly influence a specific deliverable. Whether it is entrepreneurship, education, free wireless in the urban core, or evaluating the markets impediments

to talent attraction/retention (which they know well...indeed they are the very talent you're trying to attract and retain), the options are limitless.

The Competitive Edge

Best-of-class economic development organizations, like all highly successful organizations, are driven by their ongoing commitment to increase their competitiveness, efficiency, value, and impact, knowing very well that if they don't commit to strengthening their future, the competition will pass them by. Would your market be stronger and more competitive if your EDC put the NexGen to work? Absolutely. Your market would benefit from further leveraging its most valuable asset - its leadership. NexGen leaders are a key component of a market's leadership infrastructure. Put them to work...you, and they, will be glad you did.

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Evaluating Incubators and Accelerators for EDOs

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Inspired by Birch's work and faced with the decline of traditional industries in many communities, strategies for *promoting entrepreneurship* were added to the economic development arsenal. Tapping the wellspring for new business concepts and new technologies -- and "growing our own" -- became an accepted strategy and slogan. Thirty years later, hundreds of incubator facilities have been built and are being operated across the country (and indeed around the globe) as the centerpiece of such strategies

Many Incubator Models

Given the wide diversity of local conditions and resources, it is no surprise that no "one size fits all" template for incubation has emerged. Our experience is that, while some incubators clearly have been more successful in terms of meeting their goals for job and wealth creation, many valid business models exist. At their core, incubators tend to reflect the experience and outlook of their founders or senior managers. But we can look at some of the key issues involved in supporting the creation and growth of successful start-ups, and consider how they respond to local conditions and aspirations.

Facilities

The debate between "incubator" and "accelerator" proponents starts here. The common denominator among most incubator initiatives is a facility funded by the economic development organization to house start-ups and young companies. Typically these facilities range between 20,000 and 60,000 square feet, and provide access to shared equipment or conference rooms, as well as a menu of services designed to assist start-ups and young businesses.

Some critics of incubators point out that the resources spent on "space" are misused, since creating these facilities requires money (usually from the public sector) that could be better invested in the businesses themselves. After all, start-ups -- by definition -- need cash; raising capital for start-ups and to sustain young firms till they are cash-flow positive is a significant barrier to their progress.

And the concept that such facilities provide "cheap space" needed by start-ups is, on the whole, a myth. Committed entrepreneurs

know that the cheapest space still will be the proverbial kitchen table, basement, or garage. Low-rent office and flex space always can be found when needed. Even accessing shared office equipment can be a thing of the past: the low cost of modern computing peripherals and ubiquitous copy centers means that some incubators no longer provide their tenants with basic administrative support -- it is expensive to provide, manage and simply isn't needed.

Rather than cheap rent, the case for developing incubator *facilities* is more closely tied to the need to provide highly specialized equipment needed for some types of technology-driven businesses, notably in the health sciences or engineering fields. Built-in laboratory benches, air handling and safety equipment, as well as access to high levels of electrical service with uninterruptible supply and secure data centers -- even access to freight elevators for delivery of scientific equipment and supplies -- are essentials that start-ups and young companies in some technology fields *must* have. Often, start-ups who have obtained at least early seed funding are willing to pay for these facilities.

Acquiring access to such equipment and support infrastructure in increments as small as 400-600 square feet is simply not obtainable in most communities without the intervention of an EDO.

Programs, Management Services and Funding

The substantive differences among incubators (or accelerators) primarily occurs on the programmatic side, including the type and depth of management services provided to tenants or clients. Incubator critics tend to favor "business accelerators," some of which provide no space at all. (Where their client companies locate is of no concern!)

While most traditional incubators provide some form of management services to start-ups, frequently this support comes in the form of federally funded programs such as SCORE (Service Corps of Retired Executives) or SBDC's (Small Business Development Centers), operated through the Small Business Administration. These programs work with incubators to typically create and operate networks of service providers -- such as attorneys, CPAs, HR firms or marketing agencies interested in serving small busi-

nesses. Networking activities among incubator tenants also is promoted, to provide a supportive environment drawing on the shared experience of the tenant companies.

Accelerators, on the other hand -- whether or not they provide space for tenants -- are typically focused on two things: maintaining their own internal source of Seed or early stage investment capital and providing more intensive, professional management support to their client companies. Paid "Executives in Residence," usually with experience in a particular industry, get involved hands-on with the company founder in the fundamentals of building the business, and above all, in preparing the business to successfully seek funding from investors. Funding is the lifeblood of accelerators, which as the name implies are intended to propel a company more rapidly from start-up to full operations, sales, and a positive cash-flow position.

Key Differences

In an attempt to discredit incubators, accelerator proponents may be quick to point to some traditional incubators where some tenant companies that did not receive strong management support stagnated and failed to attract the capital needed to grow.

At the same time, because the accelerator strategy is intended to provide dedicated professional management to individual businesses, and in most (though not all) cases, some injection of early investment funding, their criteria for selecting which start-ups receive support is highly developed. Therefore, these accelerators set a threshold for start-ups acceptance that makes them more exclusive. From a private investor's standpoint -- and the probabilities for business success -- this is seen as a plus. From an economic development policy standpoint, selectivity (and even industry specialization) that comes with a pure accelerator model means that many prospective businesses are not served.

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Employees Commute Often Overlooked As Part of a Comprehensive Green Initiative

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move the job location, with all of its expenses and organizational costs. The answer is to move the housing location of more and more employees through sound development of the right housing products in urban infill locations. And a corporate Employee Assistance Program (EAP) that provides tangible incentives for employees to live in certain locations can be very effective.

How does a corporation approach this issue and policy? In a phrase: **Through leadership and patient investment.** There are many examples of employer-led community development, but let's focus on two such examples in Cincinnati. Both were formed in 2003 with similar goals aimed at improving the quality of neighborhood life around the two largest employment centers in the region. They share the following characteristics:

- Shared governance among groups not used to planning together, including senior corporate management participation on the board;
- Significant in-kind contributions of management skill from employers;
- Full endorsement and cooperation from local government leaders, including the use of public powers such as zoning, eminent domain, and asset swaps or contributions;
- Access through agreements to the “public policy tools” for redevelopment support (CBDG grants, TIF agreements, Abatement agreements, etc);
- Private operating funding that can avoid the pitfalls of frequent political change;
- Skilled management team with attractive compensation and incentives;
- Private, patient equity capital that can take the early risks of redevelopment based on financial and social returns, and then subordinate itself to other investment capital with traditional return needs;
- Strong relationship to the local Chamber's of Commerce;
- Strong ties to the local education system(s) and cultural institutions.

First, the Cincinnati Center City Development Corporation, better known as 3CDC, has helped create substantial momentum in all three of the contiguous areas that are within its stated boundaries (Over-the-Rhine, Central

Business District, and the Banks). Of course, the central business district is the major employment center that draws up to 90,000 workers, customers and visitors each day. 3CDC is led by a Board that includes the CEO of **every** major corporation with operations downtown, and has had the CEO of Proctor and Gamble as its Chair since inception. The combination of leadership, and the investment of senior staff, operating funding, and patient equity project funding, has allowed this quick progress to occur. No other kind of organization could have succeeded in making this kind of progress where there had been so many false starts before.

Secondly, the Uptown Consortium was formed at the recommendation of the University of Cincinnati to pursue the same goals for a district that brings 60,000 workers, customers and visitors each day. After several years of neighborhood investment from the University alone, the other major employers in the Uptown area agreed to form the Uptown Consortium. It too has created substantial momentum in the many neighborhoods of the Uptown area. The Uptown Consortium membership includes the university, all the major hospital systems operating in the Uptown, and the zoo. It has had the President of the University of Cincinnati as its Chair since its inception.

Both organizations are privately funded for operations at a level of over \$1.5M/yr. Both organizations have raised over \$50M in equity capital from their members for projects, and both have won a round of Mew Market Tax Credits in the \$50M range.

Both have combined Tax Increment Financing (TIF) funding with other private capital to support projects in “below market” conditions. The urban infill developments promoted by these organizations use a higher density than suburban development, they emphasize walkable communities that keep people out of their cars more often for basic activities of life, and they are much closer to the job. All of that collective effort reduces the average commuting distance of employees. And an Employee Assistance Program (EAP) program at each corporation creates a real part of the market demand for the housing developments in which they are investing.

Why have these major Cincinnati corporate/institutional organizations stepped up to the plate with both the leadership and financial investments needed? They did so be-

cause it was a strategic priority for all to revitalize city neighborhoods around the major employment centers. It is not just good general corporate policy, and HR policy. It is also good **corporate environmental policy.**

Companies have endless “dashboards” full of data and metrics to measure their trends and corporate success. I suggest they add to this system of data the following: average daily commuting distance of employees. Reducing that part of your corporate carbon footprint is just as valuable as the other segments of your environmental policy. And it has a direct win-win opportunity for your employees and the regions in which you operate. Reduced employee personal costs, reduced emissions, less traffic congestion, greater productivity from employees with less compressed workdays, and better competitiveness for new employee recruitment. What's not to like?

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KMK Consulting has been directly involved in the formation of catalytic development associations, such as 3CDC referenced above. For more information on this specific idea and related financing support such as tax increment financing, please contact Melissa Taylor at mtaylor@kmkconsulting.com.



Place Branding: A Useful Tool in the ED Toolbox

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As consumer and business brand experts have taught us, there are principles and processes that make it work. We offer the following as they apply to place branding.

Place Branding Principles:

Be Purposeful: a region or city must have a reason to invest the time, energy and resources to do it right. Corporate attraction and retention, talent recruitment, tourism promotion and convention and meetings attraction are common reasons.

Be Truthful: you are who you are. Branding can't and won't change it. You can, though, emphasize strengths or minimize weaknesses in authentic and believable ways.

Be Future-Focused: People aspire for the better day. Give them hope to find it in your "place."

Commit to the Process: It takes time. It takes patience. It takes research, formal and informal. It requires all voices and views to be at the table from the beginning, even those with whom you don't agree.

Be Creative: Translating how your "place" is different may require using your brain differently. Let experts engage you in creative explorations that pull out hidden truths, ideas

and inspirations and amplifies known ones. Accept that getting to the end may not follow the straight line you have come to expect in your business.

Be Patient: Use a calendar, not a watch, to measure success. The process takes time. Once you get to a creative execution, it takes time to encourage others with whom you have little or not control to adopt and apply. Once you reach critical mass, it takes time to convey the message.

Be Disciplined: Place branding requires the discipline to be creative, to speak with clarity and to do it consistently over time. Of course, whether you are reaching your audiences can and should be measured, qualitatively and quantitatively.

Place Branding Process

Entire books have been written about the process of branding products and services. Publications specifically about place branding have been around for a decade or more. A simple web search on "place branding" provides many options.

As for specifics, it depends. What's the budget? What's the purpose? Who's the target? How broad is the effort? How many NGOs are included? Are your elected officials involved? Can you get some *pro bono* support from marketing experts in your mar-

ket with place branding experience?

These are all factors, and there are others. This is an area in which you really need professional guidance. You need someone who can oversee and direct the process and advise the leaders of the effort at critical junctures.

Place branding shows community caring, cohesion and commitment; qualities that matter to workers who are in the position to make choices. In an increasingly competitive and "flatter" world, it can be the difference between winning and losing to grow a regional economy.

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