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# Local Official's Guide to Defense Industry Adjustment



U.S. Department of Defense  
Office of Economic Adjustment



# About the Office of Economic Adjustment (OEA)

OEA is the Department of Defense's (DoD) field organization responsible for supporting state and local governments to respond to major defense program changes. Founded in 1961, OEA has helped communities in all 50 states and major United States territories develop comprehensive strategies to adjust to defense industry cutbacks, base closures, force structure realignments, base expansion, and incompatibilities between military operations and local development. With offices in Washington, DC, and Sacramento, California, our staff members are available to assist local communities throughout the United States to leverage the full capabilities of the federal government through the Defense Economic Adjustment Program.

In today's economic climate, OEA and federal government support is essential to communities nationwide as they cope with Defense program changes. OEA has an interdisciplinary staff that works hands-on with communities nationwide over several years to create a positive environment for economic growth. To better prepare the community for these economic transitions, we build and engage relationships with community members, private business, state governments, and the armed forces to ensure a successful transition. We bring nearly a half a century of experience and best practices to coordinate federal government resources and solve complex problems. OEA also serves as a focal point for transition assistance from other relevant federal programs that can be applied in a coordinated manner to plan and implement adjustment strategies. Contact OEA by visiting our website at: [www.oea.gov](http://www.oea.gov) or call (703) 697-2130.

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# Six Guiding Principles of Economic Adjustment

1. **The best solutions are community-based. Nothing else is more important than this theme.** While Federal and state governments may provide resources in the forms of planning grants and technical assistance, the future of the region belongs to its residents and stakeholders, and they are the ones who must decide what will be done, and how.

2. **Regionalism works.** Economic activity does not respect political, geographical, or government agency boundaries, and economic adjustment activity must recognize that regions are the venue through which economic growth occurs and good jobs are created in the modern economy. See Chapter 3 for the case study “Functional Economic Area, Newton, Iowa,” illustrating this point.

3. **Plan for both short-term and long-term.** Developing and implementing short-term plans to “stop the bleeding,” get those affected back into jobs and preserve business activity is important. Chapter 4 text and the case study “Hampton” discuss and illustrate the need to integrate immediate activities into a vision for long-term economic transformation.

4. Broad public/private collaboration on planning and action is essential. **Comprehensive communication and transparency are all-important** in garnering community support and attracting investment. An investment in trust and goodwill can overcome many obstacles in the early stages of adjustment projects. Websites and other communication resources in Chapter 5, as well as community engagement techniques discussed in Chapter 7, will help you with your outreach.

5. Immediately serving affected workers is necessary to “stop the bleeding” in the face of an economic adjustment. Yet the adjustment project should also **recognize the need to diversify local/regional economies and plan to provide/align services to businesses** both large and small, as illustrated in the Chapter 7 case study “Louisiana Comes Together.”

6. The challenge of limited resources in general means that **regional leaders must examine the full range of assets and potential resources, and align around regional goals.** In addition, while funding is generally available, it can be very siloed with several restrictions on how it may be used and by which type of local organizations. This is frustrating for regions, but it can be workable. Don't expect Federal or state funding to solve every problem. Look at it as catalyst funding and always be thinking about how to continue the effort once these resources in a given category are exhausted. See the Chapter 8 case study “Saint Louis” for guidance on implementation and sustainability.

# Part A: Background

When faced with the economic shock inherent in many defense industry adjustments, it is necessary for local officials to spring into action. “Stopping the bleeding” in terms of lost jobs and possibly a diminished perception of the community is front and center in importance. But just as important is beginning to plan for longer-term economic and workforce revitalization. Yet local officials, occupied as they are with the tasks of day-to-day governance, as well as resolution of major issues, may not have the capacity to fully research and understand the forces that came together to cause this community disruption.

Having this full context is key to understanding the importance, process and content of regional economic adjustment planning. This Guide was developed to provide local and regional leaders with the information, tools, and resources to mobilize a successful response to defense-related economic shocks.

**Chapter 1, Introduction** provides an overview of the Guide and its organization and our objectives in preparing it. Most important, it includes preliminary discussion of several interconnected themes that the user should keep in mind during the adjustment process.

**Chapter 2** is titled **Understanding Defense Spending and a Community's Dependence**. The expected lower rate of overall defense spending, as well as changes in technology and other forces affecting the military, will no doubt increase the need for many defense-dependent communities to re-think their economic and workforce development policies, objectives and activities. This chapter provides an overview of how communities that faced defense declines responded in the 1990s. This chapter also considers how communities have responded to economic shocks of all types in the recent past, and reflects on whether shocks caused by military adjustments require different types of responses from those that have proven successful in civilian industry transformations, natural disasters, etc. A look at the issues related to defense adjustment and restructuring illustrates the need to begin the planning process quickly, but thoughtfully.

Two essential elements to planning for transformation in light of economic shocks include data and people. **Chapter 3, Understanding Regional Impacts and Data**, provides basic information concerning how economies work and the concept of a functional economic area, which provides the foundational understanding for the need to plan on a regional basis rather than limiting considerations—and resources—to one jurisdiction. It also includes metrics for evaluating industry and occupation characteristics, and sources for obtaining the economic data needed for adjustment planning.

**Chapter 4, Understanding Economic Adjustment**, focuses in on the “people” part of the adjustment equation. Three key overarching concepts are introduced in this chapter:

- The regional Leadership Group (LG) and the roles of key partners that constitute the LG;
- Why partners need to work toward a regional, as opposed to a jurisdictional, approach to economic adjustment; and
- How short-term activities to meet the immediate needs of impacted workers and businesses must align with and advance longer-term strategies for economic diversification and growth.



**Inside this section:** Overview; emphasis on addressing immediate and long-term regional needs; why regional economic planning is important.

# Chapter 1

## Introduction

The entire context and process of planning is really only the end of the beginning. Implementation and continually revising the Plan is where the rubber meets the road.

### I. Background of the Guide

Over the last several decades, communities across the country have faced significant shifts in their economies and their workforces due to changes and reorganization in the nation's defense and related industries. We are seeking to leverage and synthesize the knowledge, experience, and best practices gained from previous and current defense industry adjustment efforts, and share that collective information in the context of known and anticipated changes in the defense environment.

The foundation for an effective response to an economic shock encompasses several critical and interconnected themes:

- All economic adjustment solutions should be community-driven and community-based. Local and regional leaders should develop their shared vision and take ownership of implementing strategies to achieve that vision.
- While economic adjustment planning must focus on immediate needs, it cannot neglect longer-term goals. In the short term, impacted workers need reemployment assistance and impacted companies need business support and transition assistance. Taking a longer-term view, economic crises present an opportunity to envision a new future for the region, and to think and act in fresh ways to achieve that vision.
- Embracing a regional approach is essential. Economic activity does not respect political, geographical, jurisdictional, or agency/organization boundaries, and neither should solutions to an economic shock.
- Broad public/private collaboration on both planning and implementation actions is imperative. Ensuring resiliency in the face of significant economic transition requires enduring public/private partnerships.



Economic adjustment experience at the Federal and state levels has consistently shown that proactive, rather than reactive, planning for these situations achieves the best outcomes.

- Diversifying regional economies in the face of defense economic adjustment requires a significant investment in services to impacted businesses. Larger defense contractors tend to need workforce transition services, while smaller contractors and ancillary companies tend to need business support services.
- Resources to support regional economic adjustment efforts are—and will likely continue to be—limited. Given this reality, regional partners must be creative in identifying and aligning a wide variety of resource streams to support their efforts, now and in the future. Resources include funding from federal and state grants, and must also include partners' existing budgets, which should be aligned in support of shared regional goals. Without alignment of existing resources, sustainability becomes extremely unlikely.
- Communication and transparency are all-important in garnering community support and attracting investment.

## II. Importance of Planning for Economic Adjustment

Given the increasing competitiveness and recent tighter budgets in the American economy—and, indeed, the global economy—no community can consider itself immune to the effects of economic adjustment and transition. Too often, however, communities do not realize this until they find themselves in the middle of a significant economic shock, whether it be caused by defense industry changes, the closing of a major plant or departure of a large employer, or a natural disaster. In the midst of such a crisis, it can be doubly difficult to organize needed partners and develop and implement strategies for economic recovery and diversification. Economic adjustment experience at the Federal and state levels has consistently shown that proactive, rather than reactive, planning for these situations achieves the best outcomes. By investing the time and effort to cultivate solid partnerships and to identify economic assets, opportunities, and liabilities well in advance of a need, communities can position themselves to respond more collaboratively and effectively in the face of major economic and workforce transitions.

## III. Our Objectives

We hope to provide tools and information to support public and private leadership as they confront the loss of a significant defense-related industry, employer, or contract and attempt to re-envision and retool their economies on a regional basis.

Specifically, the resources here will help communities:

- Understand key themes, trends, and dynamics in defense-related economic adjustment;
- Understand the importance of organizing and responding regionally to significant economic and workforce transitions;
- Implement both immediate strategies to support impacted workers and businesses and longer-term strategies necessary for economic and workforce diversification and growth;
- Engage and communicate effectively with all stakeholders involved in economic adjustment activities; and
- Implement governance and funding strategies designed to ensure scale and sustainability in the long term.

## IV. Organization

- Part A (Chapters 1-4) provides key context and conceptual background, including understanding defense spending, regional impacts and other uses of data; and economic adjustment.
- Part B offers a “how to” for these economic adjustment projects with special emphasis on Collaborative Communications, an overarching necessity during each of the three main phases of economic adjustment response:
  - » Chapter 5: Collaborative Communications
  - » Chapter 6: Organize
  - » Chapter 7: Plan
  - » Chapter 8: Implement.
- A final Appendix provides a listing of web-based economic adjustment-related resources and tools keyed to each chapter in the text.



“ Diversifying regional economies in the face of defense economic adjustment requires a significant investment in services to impacted businesses. ”





**Inside this section:** A look at the issues related to defense adjustment and restructuring; emphasis on why it's important to start the planning process early; an overview of how communities that faced defense declines responded in the 1990s.

# Chapter 2

## Understanding Defense Spending and a Community's Dependence

As a stakeholder in your region's future, the material in this chapter is important because it provides context for the military cutbacks expected in this second decade of the 21st century, and compares them with the context and lessons learned from the previous round of cutbacks following the end of the Cold War.

Like many industries, America's defense sector operates in response to cyclical market trends. The past few decades have seen a few boom and bust cycles. The 1980s defense buildup led by Presidents Carter and Reagan created significant new demand for defense products and services. Ten years later, the Cold War's end signaled what many experts thought would be a permanent reduction in US military spending and its overseas military presence. The attacks of September 11, 2001 shattered this assumption and spurred a major increase in military spending that has continued to this day.

For a variety of reasons, this recent wave of robust defense spending appears to be coming to an end. The drawdown in Iraq

and Afghanistan is a factor. Meanwhile, significant budget and deficit pressures are putting all spending programs—including defense—on the chopping block. While the exact contours of future defense budgets are uncertain, experts are nearly unanimous in predicting that the next several years will focus on reductions, retrenchment, and restructuring.

Restructuring is likely to occur in the Pentagon, among the military services, in various fields of operation, and in communities where defense jobs and defense activities are located. This chapter examines issues related to defense adjustment and restructuring. It begins by examining the broader issues around community responses to economic



### Lessons from the 1990s

- It pays to start early.
- Leaders must plan for the long haul and understand that they will not immediately replace all of the lost defense jobs.
- Close partnerships with local defense employers are essential.

dislocation. All communities and regions face economic shocks at some point in their histories—they may result from plant closures, natural disasters, or just the historical transition and evolution of industries.

We next turn to the defense industry itself. As we will discuss later, each industry and each set of economic shocks has its own unique causal factors and impacts. The defense industry has a number of unique characteristics that affect how communities, firms, and workers respond to defense downsizing. The same can be said of other sectors such as construction, manufacturing, and the like. We conclude this chapter by examining the US experience in responding to major defense downsizing in the 1990s. We find effective community responses to economic shocks share a number of key characteristics. While it is important to recognize the unique aspects of each industry, the parallels are more important than the differences.

## I. The Age of Economic Turbulence: How Do Communities Respond to Economic Shocks

We all see the downside: Headlines tell the story of lost manufacturing jobs, downsized industries laying off workers, or housing construction down. Smart communities recognize that while economic shocks are painful, they can be used as an opportunity to rethink and re-envision a region's economy. Unfortunately, some communities never recover from severe economic shocks, but recovery, revitalization, and renaissance are fairly typical outcomes as well. Think of recent stories such as New York City's recovery from near-bankruptcy in the 1970s or Pittsburgh's revitalization after the steel industry's collapse in the 1980s or 1990s. These communities developed effective responses to severe economic crisis. In the aftermath of economic shocks, they built economies that were more dynamic, more competitive, and more resilient.

Responses vary according to a community's unique heritage, assets, and opportunities, but successful efforts share a number of characteristics. Effective approaches are, above all, opportunity-driven. They take a two-pronged approach that seeks to cushion the economic blow, while also thinking ahead. Community leaders craft responses to help those facing

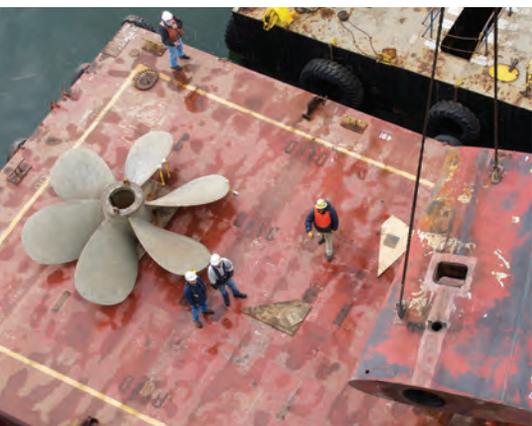
lost jobs and income, but the most successful communities also use the crisis as a learning opportunity to re-envision the region's economy.

Easing the transition for affected workers, businesses, and neighborhoods is the priority for effective recovery. As we will see in Chapter 7, these transition strategies include:

- Helping workers transition to new jobs or obtain new skills and training for new careers.
- Helping businesses identify new products, technologies, or markets to help replace income lost due to industry cutbacks.
- Helping communities find new uses for vacant or under used facilities.

As regions react to the immediate crisis, smart communities also invest to become more resilient, i.e., better able to respond and recover in the face of future economic shocks. This effort begins with the development of a means to better understand the local economy and to put early warning systems in place. Useful tools include community scorecards, state of the region reports or the use of economic dashboards that offer a regular updated assessment of regional economic performance. These tools help communities develop an "anticipatory focus" that helps them act quickly in the face of potential dangers and challenges.

When preparing for natural disasters, community resilience strategies seek to identify weak spots such as insufficient flood controls or buildings at risk of earthquake damage. Economic resilience strategies work in a similar manner by identifying persistent economic challenges or weak spots. These might take the form of persistently low high school or college completion rates, low business start-up activity, or poor transportation access. More frequently, communities find that their economies are too dependent on a single industry or a few major employers. Many defense dependent communities find themselves facing this challenge. In these cases, communities should invest to diversify the local economic base and improve responsiveness to future shocks. With a diversified economic base, communities can look to growing sectors to help compensate for lost jobs and resources resulting from defense cutbacks.



# Alaska: A Matter of Military Employment Increases

**SITUATION:** Fairbanks North Star Borough (FNSB), located in the Alaskan interior, is home to Fort Wainwright and Eielson Air Force Base (AFB). In anticipation of the 2005 Base Realignment and Closure (BRAC) round, the Borough coordinated with the City of Fairbanks and the City of North Pole and sought assistance from the Office of Economic Adjustment (OEA) through an Advance Planning Grant to address the significant impact of the two military installations on the regional economy. Active duty military and DoD civilian employment at the two installations was estimated at 8,422 personnel, which accounted for approximately 19% of the total wage and salary employment in the Borough.

To reduce its dependence on military spending, the Borough wanted to develop a baseline economic assessment, an analysis of the current dependency on the military, and alternatives for economic development, including a conceptual plan that would provide the community with potential economic development options and lessen the community's overall reliance on the military.

As part of BRAC 2005, the Department of Defense proposed realignment of the 354th Fighter Wing and its A-10 and F-16 aircraft from Eielson Air Force Base. The BRAC Commission, however, revised the recommendation, retaining the F-16 aircraft at Eielson AFB, and resulting in estimated job loss of between 500 and 700. At the same time, non-BRAC actions caused an increase in the number of DoD personnel assigned to Fort Wainwright by more than 2,800, resulting in a net increase of DoD employment in the region.

**SOLUTION:** Responding to the shift from projected job loss to a net increase of personnel, the Borough amended its economic analysis to consider ways to relieve pressures on the local economy created by large scale deployments of Fort Wainwright soldiers in support of the wars in Iraq and Afghanistan. The overall goal of the study was to identify economic development opportunities to diversify the Borough economy, thereby lessening the economic and social dependence on the military installations. Through economic analysis, benchmarking against similar communities, and strategy development, the Borough hoped to insulate the local economy from the boom and bust cycle of military spending.

**OUTCOMES:** The Borough completed a report titled "Strategies to Reduce the Impact of Large Scale Military Deployments in the Fairbanks, Alaska Region" in December 2006. The study indicated that frequent, extended deployments of military personnel could cause instability in the employment base for the region. The primary strategies identified to alleviate such economic pressures included business retention and expanding existing opportunities, fostering public and private sector support for economic development, supporting economic development through public financing, monitoring progress of economic development efforts, and establishing a business accelerator. These recommendations would again become valuable when, in 2012, the Air Force again proposed to realign the F-16 mission from Eielson AFB to Elmendorf AFB, a decision placed on hold until after the Fiscal Year 2013 authorization and appropriations bills have passed.

## II. Economic Shocks and the Defense Sector: Is Defense Different?

All industries have defining features and quirks, but, when compared to a “typical” business or industry sector, the defense industry is unique. Its products, business practices, and markets share few characteristics with other civilian industries. The defense industry is not monolithic. It includes companies of all sizes from large contractors like Lockheed Martin or Boeing to tiny firms that might supply one part or component. Thousands of firms deliver products, technologies and services that support defense needs. Some of these firms are heavily focused on government business; others serve a mix of defense and commercial customers. Many smaller suppliers may not be aware that their small component (e.g. a fastener or computer component) is even used in defense applications. In many cases, they simply sell their products to customers who in turn sell them to the military or to other firms.

While it is impossible to speak of a single “defense industry,” many of its leading firms and practices share several unique characteristics that stand out. First, the defense industry is highly concentrated. It is dominated by a few very large contractors who manage and work with hundreds, if not thousands, of smaller subcontractors. These firms manage massive global supply chains.

Second, the industry has unique practices that result from its focus on the government as a customer. Defense firms operate in a structure known as monopsony, where there are multiple firms serving only one customer. This structure provides great power to the US government, which sets the requirements for its products and provides nearly all of the funding for the development of new products, services, and technologies. In this case, the main purchaser is also the main regulator of the industry, making defense among the world’s most heavily regulated sectors. In fact, one cannot really speak of a “free market” in the defense industry. Government agencies are involved in every aspect of the business process, from buying products and services to managing contractor performance and maintaining and supporting the products and technologies after they are purchased.

The US defense industry is heavily focused on advanced technologies. Our military advantage is based on having the best technologies, requiring significant up-front investments and the development of highly specialized skills and engineering competencies. The defense industry workforce has developed a unique set of skills that is often not easily transferable to other industries. In recognition of these unique skills, these workers tend to be older and better paid than their counterparts.

Many firms that operate in the defense industry are heavily concentrated on government contracting opportunities. Historically, their ability to succeed in commercial markets has been somewhat limited, and, for the most part, defense contractors have opted to remain focused on serving public sector customers. At the same time, many large commercial firms have opted to stay out of the defense marketplace.

## III. Changes in Defense since the End of the Cold War

While exceptions exist as a result of specific military threats and requirements, defense firms operate in a highly cyclical market environment. When defense spending increases, defense firms prosper; and they suffer when defense budgets decline, although there are always “winners and losers” as systems change. Nearly all industry experts agree that the next industry cycle is likely to be one of retrenchment and restructuring. As it faces this new projected period of restructuring, the US defense industry looks much different than it did during its previous bout with downsizing in the 1990s. Massive industry consolidation in the 1990s has created a much different defense sector. A recent Pentagon study found that the top fifty defense contractors of the 1980s have now merged into just five mega-firms.

As they have consolidated, the big defense firms have also entered new defense submarkets. Most of the large contractors serve all parts of the military, and provide a full range of products and services, from sophisticated weapons systems to management support services to new technologies like stealth, bio-defense products, or GPS-related tools. Typical large defense contractors are equipped (on their own or via subcontractors and partners) to meet nearly any requirement or need identified by the military services. Like most other sectors, the defense industry is also becoming less manufacturing-centric. Defense firms still produce planes, tanks, and ships, but a large portion of their business also comes from services and from technologies such as software, computer equipment, and defense electronics. Defense firms are also more globally-focused than in the past. In previous decades, international contracts were something of an afterthought for defense contractors. Today, they compete for these contracts and also operate massive supply chains with suppliers located around the globe.

In today's competitive defense environment, partnership is the name of the game. No single firm solely manages a big defense contract; they rely on a large base of subcontractors and partners. For example, Lockheed Martin is the lead contractor for production of the F-35 Joint Strike Fighter, the world's largest defense contract. But it has major partners in Northrop Grumman and BAE Systems, and relies on more than fifty major suppliers to produce key parts and components. These contractors in turn rely on hundreds, if not thousands, of other suppliers and subcontractors. In the case of the F-35, major manufacturing will occur in Texas and California, but other supplier activity will be spread across the US and around the globe. In fact, nearly every state in the US is home to F-35 suppliers and subcontractors.

While defense dollars flow to all parts of the country, defense spending remains highly concentrated in a few states and regions, just as it remains concentrated in a few large companies, with subcontracted suppliers creating (and sometimes losing) jobs, but not nearly in the magnitude of the larger companies. In general, the Southern and Western parts of the US are home to relatively larger amounts of defense activity than elsewhere. At present, Virginia, Texas, California, Florida, and Maryland are the five most defense dependent states.

“...the most successful communities also use the crisis as a learning opportunity to re-envision the region's economy.”



“...many defense-dependent communities will have to start from scratch to build strong partnerships and collaborative approaches largely because of the history of dependence on defense industries.”



#### IV. Defense Industry Structures and the Transition Process: Lessons from the 1990s

The unique traits of the US defense industry create complications for communities affected by defense downsizing. Because firms and workers develop specialized skills and competencies designed to serve government and military customers, they are challenged when trying to enter new markets and new sectors.

If there is one dominant take-away from the 1990s defense downsizing experience, it is the realization that there is no silver bullet or single pathway to success. Communities and firms have pursued a variety of pathways. Some have succeeded; some have generated middling results, and some communities have been lucky as new economic engines emerge to replace lost defense jobs. In San Diego, the rise of the local technology sector and firms like Qualcomm (which started as a defense contractor) helped ease the pain of 1990s defense cuts. In Connecticut, the rise of the local gaming industry created many new jobs in the 1990s and beyond.

Beyond this caution against searching for a silver bullet solution, several other important lessons can be gleaned from the 1990s. First, it pays to start early. Where possible, planning for industry transition should occur before a local facility or company shuts its doors. This early start may not be feasible in the case of private companies facing bankruptcy, but in the defense sector, most communities have a somewhat longer warning time. For closing military bases, this period may last several years. For defense firms losing contracts, the advance warning time is shorter but can still range from several months to a year.

Community approaches work best with businesses in advance of factory shutdowns or major layoffs. Where possible, community economic development leaders should monitor local contracting activity to better understand potential risks

for contract reductions or cancellations. This early monitoring, and sharing such information with critical stakeholders where permissible, including workforce development officials, allows for quicker mobilization in the event of potential downsizing activities. The most effective way of monitoring is simply staying in touch with the appropriate Human Resource and other personnel at the installation or defense contractor, while emphasizing confidentiality and protection of information as you develop relationships.

Second, community leaders must plan for the long haul and understand that they will not immediately replace all of the lost defense jobs. Replacing those jobs, or adding new jobs in the community, is a long-term proposition, and it is unlikely that a single new employer will emerge as a new community savior. Instead, smart communities “hit for singles, not home runs.” They develop strategies that support multiple economic drivers to replace lost defense jobs.

Third, close partnerships with local defense employers are essential. Historically, very few defense businesses have succeeded in diversifying away from the defense industry. These rare success stories have resulted from a mix of maniacal management focus in support of diversification, smart strategies, strong community support, and luck. If a firm’s management is uncertain or unenthusiastic about diversifying into new markets, its chances of success are relatively limited. Most large defense contractors opted to remain focused on defense and government business when faced with downsizing in the 1990s. Many observers expect that they are likely to maintain this focus today. However, a number of larger contractors have announced new diversification strategies to enter commercial markets, so we may see new approaches and business models developed in coming years.

In contrast, many smaller firms and subcontractors may have interest in pursuing new markets or diversification opportunities. These firms may be appropriate targets for a regional dislocation aversion strategy that seeks to avoid layoffs or major firm cutbacks. In these cases, it makes sense to link these companies to resources focused on business development, such as the local Small Business Development Center, the Manufacturing Extension Partnership Center, export promotion programs, and the like. These experts can help local firms assess their competitive assets and challenges, and design appropriate strategies for new business development.

Because firm diversification efforts have proved so challenging, many communities have opted to focus resources on supporting the transition of individual workers and managers. For these regions, retraining for individuals served as the core of defense transition strategy focused on worker mobility and empowerment. Since the 1990s, the US Department of Labor has funded a host of local and regional efforts designed to help defense-impacted workers develop new skills and capabilities as part of their search for new career pathways. Many of these projects have produced a critical bridge to new jobs and new careers for displaced workers.

The 1990s defense downsizing experience also yields one final important lesson: local capacity and commitment to change are critical success ingredients. Successful transitions occur in communities where key stakeholders already have strong partnerships and collaborations in place, and there is a shared commitment to promoting the region’s future economic prosperity. In most cases, these communities did not create new organizations or programs to deal with defense downsizing issues. They instead relied on existing capacities and partnerships which were reoriented, repurposed and/or reorganized to address the impacts of defense budget cuts.

However, many defense-dependent communities will have to start from scratch to build strong partnerships and collaborative approaches largely because of the history of dependence on defense industries. Simply, the partnerships and collaborations needed to cope with the new reality were not previously necessary. In the end, and as discussed further in Part C, each community needs to start where it’s at, from a realistic self-assessment of its capacity for change as embodied in existing partnerships and other regional assets, and proceed from that point.

Today’s economic turbulence means that regional economic shocks may be the norm for many communities. Resilient and successful communities build a regional response capability that can be tailored to a host of needs and challenges. What works for addressing the shocks of defense transitions will also work for other economic transitions, and vice versa.



**Inside this section:** A basic discussion of how economies work; metrics for evaluating industry and occupation characteristics; and sources for obtaining economic data needed for adjustment planning.

# Chapter 3

## Understanding Regional Impacts and Data

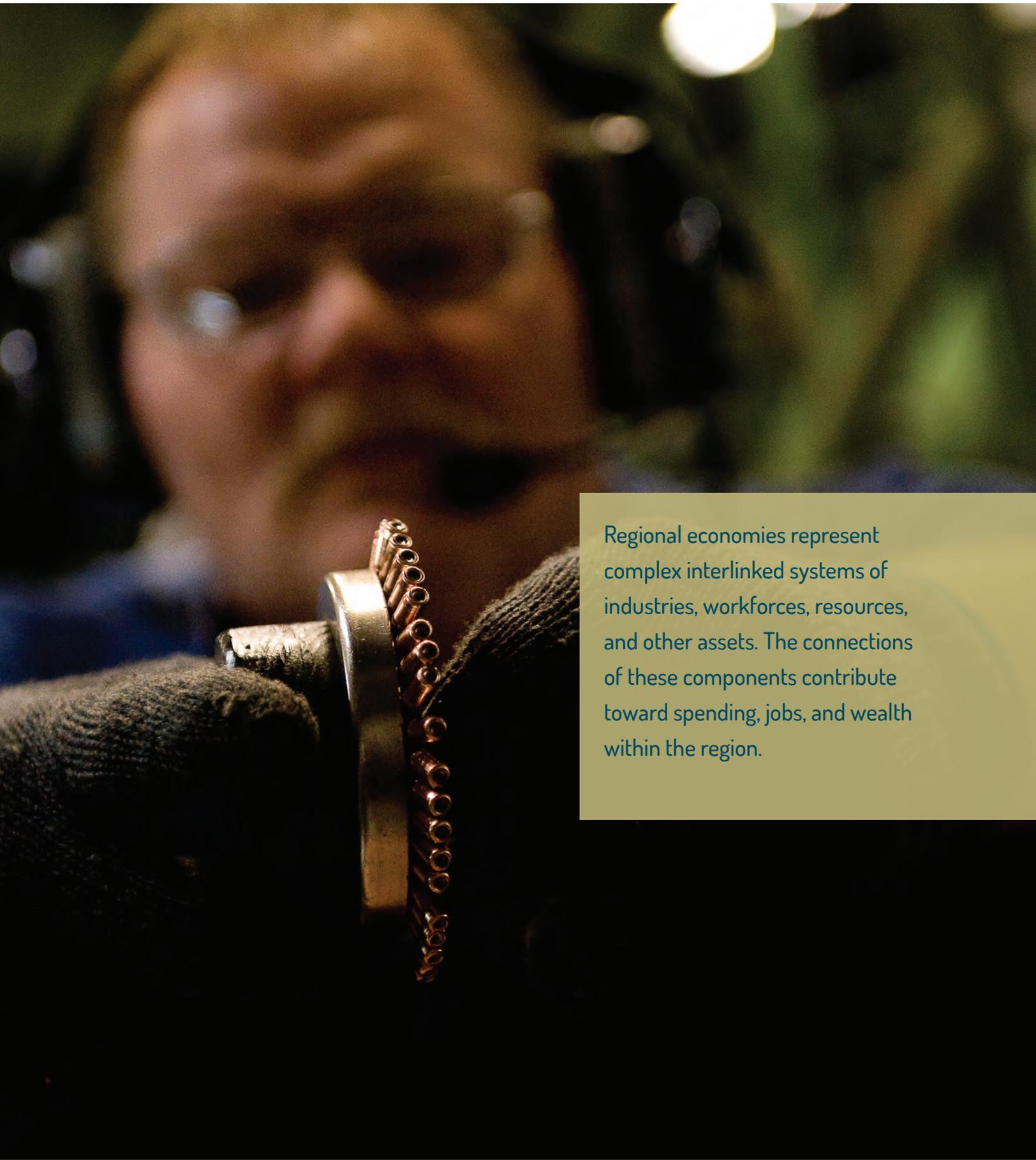
This chapter provides basic information concerning how economies work and the need to better understand some of the dynamic elements of a changing regional economy in order to plan for economic adjustments. A link to a comprehensive version of this chapter is provided in the Appendix.

In economic development, a critical first step toward strategy development lies in understanding how the regional economy functions. To be effective, local stakeholders need to know the industries, occupations, and other assets that contribute to the sustainable functionality of the economy and the jobs it provides. Once this level of understanding is achieved, decisions and strategies for enhancing and diversifying the regional economy are better informed and can align with the area's capacity and capabilities. This in turn can increase the prosperity of the region and its residents. This chapter discusses the basics of how economies function, and will provide a better understanding of measuring the potential impacts—positive and negative—that may result from changes in the local economy. This chapter also discusses how industry and occupation

data are classified; different metrics for evaluating industry and occupation characteristics; and sources for obtaining economic data.

### I. How Economies Work

Perhaps one of the easiest ways to understand how a region functions is to imagine a giant tub of water, where money flows into the economy from the top (tap) and out of the bottom (drain)—see Figure 3-1. This tub analogy contains several key concepts related to a region's intimate linkage to the rest of the world, specifically through the inflow (tap) and outflow (drain) of income and goods (i.e., the tap and drain both lead to everywhere else).



Regional economies represent complex interlinked systems of industries, workforces, resources, and other assets. The connections of these components contribute toward spending, jobs, and wealth within the region.

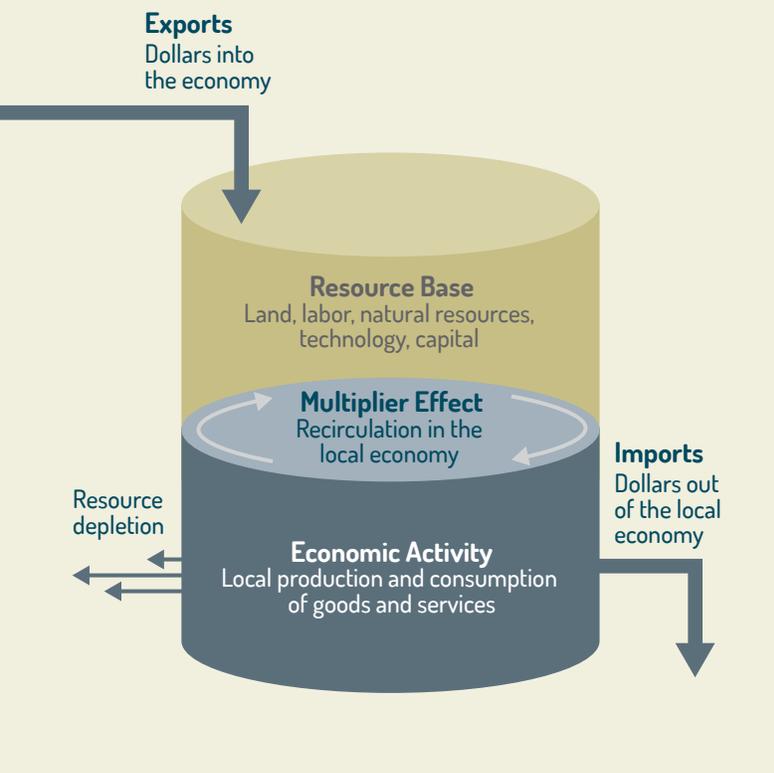
First, the regional economy (or the tub of water) uses resources either present locally or purchased outside of the region. Second, the size of the economy (or the amount of water in the tub) is determined by the inflow of outside income (e.g., exports), the “recycling” of existing income within the region (i.e., multiplier effects), and the volume of resources used to produce the region’s output. When a region sells its products and services to the next region, state, or country, new money flows into the local economy from the tap, in the form of revenues, profits, and wages. This is why export-based industries (e.g., manufacturing, high-tech services, and tourism) are so positive for the regional economy—they bring new dollars into the region and raise the level of water in the tub. Conversely, when local residents and businesses spend their money outside the region (e.g., purchasing production inputs from another region or going on a shopping trip to another area), dollars flow out of the tub and ultimately reduce the level of regional economic activity.

From a regional growth perspective, economic development practices should focus on increasing the amount of water in the tub (i.e., resource base). When the size of the resource base increases, ensuing ripple effects occur throughout the economy, further strengthening and diversifying the portfolio of regional industries.

In a broad sense, systematic evaluation of this tub can highlight economic development opportunities to achieve regional growth, as well as form the foundations of economic impact analysis, which is further discussed below. Basic economic development policy questions include:

- What can our region be “best in the world at?”
- In what ways can we increase the potential inflow of income?
- How can the community better use its existing infrastructure, resources, businesses, and talent to produce more output, associated jobs, and income?
- How can the community reduce the loss of resources to improve its local income situation?

Figure 3-1:  
Regional Economy Money Flows



From a strategic perspective, increasing the amount of water in the tub may take one or more of three primary forms:

- **Decreasing the size of the drain** – import substitution
- **Patching the leaks** – reducing resource depletion
- **Increasing the size of the tub** – increasing exports.

Regional economies represent complex interlinked systems of industries, workforces, resources, and other assets. The connections of these components contribute toward spending, jobs, and wealth within region’s. The outline above represents a way to view these connections and begin to understand how these connections can be leveraged for future planning and growth.



## Functional Economic Area, Newton, Iowa

**CHALLENGE:** In 2006, when Whirlpool purchased Maytag and decided to move out of Iowa, the small town of Newton was faced with losing the company that had been its largest employer and the backbone of its economy for more than a century. Local leaders recognized early on that they would have to develop a new economic and workforce development strategy from scratch and, to their everlasting credit, also recognized the economic relationships that existed with surrounding towns and counties. The effects of the closing were not limited to Newton or to Jasper County; nor were the assets needed to revitalize its economy so concentrated. As a result, leaders needed to quantify the economic relationships so that it could plan on a regional basis.

**SOLUTION:** Newton commissioned a regional analysis to determine the boundaries of the local labor market and Newton's functional economic area, using commuting patterns, intra-regional trade, and infrastructure considerations. This was needed to model the event's impact accurately and to help define the geographic boundaries to be used for data collection, analysis, and asset mapping—the foundational information needed for a regional Leadership Group (LG) to make data-driven decisions.

The report recommended a two-tiered model, separating the "acute region" immediately around Newton from the larger "asset" or "spillover" region that included ten counties and the cities of Des Moines and Ames on the western border. As Kim

Didier, then Executive Director of the Newton Transformation Council said: "(We saw that)...there were lots of assets to build on in the 10-county region."

However, while the data was important, the local leaders were most interested in the nature of the opportunities and challenges present in the various jurisdictions. In terms of opportunities and challenges, in this case, more similarities existed between the seven counties closely surrounding Newton than existed in the three more "booming" urban counties. As a result, the planning process closely involved those seven counties.

**OUTCOMES:** Using the information developed initially as well as extensive ongoing analysis of additional data, the LG produced an ambitious plan, including codification of the region's collaboration in the new "Iowa Innovation Gateway." Focusing on alternative energy, telecommunications and advanced manufacturing, Newton and the surrounding area have created well more than the 1,200 jobs originally lost by the Maytag closing, and they are on the way to making up for the 1,800 or so additional induced job losses.

## II. Regional Approach and Impacts

### A. Background

Although the concept of a “region” might appear obvious, at first, defining one for economic purposes is not a simple or insignificant task. We first need to understand why a regional approach is used to assess an economy, evaluate impacts, and eventually construct and implement a development plan.

A regional economy is generally connected by many types of economic activities within a given geographic area. However, economic activity, while connected between businesses, consumers and workers, is also connected across geography. Not all connected businesses are located in the same community. As a result, regional boundaries must be clearly defined in order to accurately measure changes in economic activity.

Once a region is defined, the second critical step in understanding the regional economy focuses on characterizing the driving forces (also known as economic base) behind the

region’s economic activity. Knowing the sectors that drive the regional economy will help to inform policy aimed at maximizing growth within the region.

### B. Functional Economic Areas

The boundaries of markets rarely adhere to political jurisdictions. The principle of a functional economic area is to define and identify geographic areas that show significant levels of interconnectedness between markets. Interconnectedness typically involves three main elements:

- Workforce flows;
- Consumer commerce flows; and
- Supply-chain linkages. (While supply chain linkages are much more likely to reside outside the region than the other two elements, many support activities reside inside the region, depending on region size and other factors.)

These three elements do not often overlap evenly, but where strong links or “connectedness” is identified, local leadership should consider the advantages and benefits of collaboration across those boundaries.



## Functional Economic Area (FEA) vs. Asset Region

An FEA is an area that covers a relatively contained and cohesive network of trade. In an ideal FEA, almost all the labor in the area is sold within it and almost all the goods consumed in the area are bought within it. In other words, functional economic regions have a cohesive, semi-closed market for goods, services, and labor. The interlinking of places provides important context for the regional planner.

An “asset region,” on the other hand, should incorporate the surrounding areas that demonstrate significant potential for commercial and labor linkages that could feed into an overall growth strategy.

## C. Defining a Region’s Economic Base

One critical step in the region’s planning activities is to define the industries that are driving the economy. A region’s industries are composed of two fundamentally different types:

- **Basic Industries** are made up of regional businesses that are largely, if not entirely, reliant on the economy outside the functional area for their sales. A regional economy cannot continue to grow and develop if new, outside money is not flowing in through export activity. Further, a diverse economic base can help to insulate an economy from economic downturns because outside markets may not be as heavily affected.
- **Non-Basic Industries** are those local businesses that primarily rely on local economic factors to grow. These businesses tend to circulate existing money within the economy.

### Economic Base:

Activities within a geographic market area that provides core employment and income on which the rest of the regional economy depends.

## D. Introduction to Impact Assessment

When a shock is felt in the economy—be it negative or positive—it is always important to measure and understand the economic impact of the event, that is, the job and earnings changes in the economy. This not only helps with planning and development efforts; it also satisfies the need for people to understand the critical nature of those efforts in quantitative terms.

These effects can be calculated using a method called input-output modeling. At its core, input-output modeling uses regional data pertaining to industry demand for inputs and their subsequent output of products and services to measure the inter-relationship industries have with their supply chains, their supplier’s supply chains, and with consumers—known as indirect and induced effects. Details of this process, usually carried out by a trained economist, are referenced in the Appendix under Chapter 3, but the basic steps are as follows:

1. **Define the Impact Region**  
This is the functional economic area discussed above.
2. **Define the Initially Impacted Industry using North American Industry Classification System (NAICS) codes**  
This step identifies the initial impacted industry, to provide the basis for understanding the extent of ripple effects on other connected industries.
3. **Determine the extent of the direct impact**  
In the case of defense spending reductions, are specific companies within the NAICS code losing contracts and revenue? Are they relocating to another region? How much is the anticipated loss? Multipliers typically account for the sum of three effects, called direct, indirect, and induced effects. Direct effects are simply the initial change in a particular industry. Indirect effects capture changes to inter-industry linkages as the market responds to changes in the initial industry. Induced effects reflect changes in household spending as income changes.
4. **Determine the overall impact**  
Results are generated according to changes in jobs, earnings, and sales.

### III. Process and Outcome Metrics

Impact modeling within a region allows decision makers to understand the level of regional connectivity and ripple effects associated with change. An equally important aspect of regional planning centers on understanding, characterizing, and quantifying the region's outcome goals and tracking metrics once plans are formulated.

The region's goals will guide the type of data and modeling necessary to provide meaningful, actionable information. For example, if a goal is to increase the number of high-wage jobs in the region, a closer look at growing industries or "in-demand" industries with high average wages would be a good first step. Identification of target sectors to encourage growth also establishes a baseline to track progress of that growth and new job creation.

Many different types of process and outcome measurements can be captured. (Please see Chapter 7, Section III, for a lengthy list of possible outcome and process metrics.) The goal when using process metrics is to measure the progress toward achieving a goal, and to determine if, where and how improvements can be made to the process. The process is simply the steps taken by the designated groups or individuals within the region to formulate, develop, and pursue the goals of a project or implementation strategy. For example, if improving innovation is a regional goal, process metrics may focus on the number of patent filings or Small Business Investment Research/Small Business Technology Transfer (SBIR/STTR) applications submitted by individuals or organizations within the region.

Outcome metrics, on the other hand, measure the results of the implementation strategy or project. Instead of looking at the metrics captured during the process, outcome metrics focus on how the process improved the regional economy and how effective the implementation strategy has been in moving the region toward its goals. For example, if a goal is new business development, an outcome metric may focus on capturing the number of net new business openings/locations in the region.

Ultimately, the region should determine how process and/or outcome metrics should be captured, calculated and used. More than one type of metric is advisable in order to get a more complete picture of how strategies are implemented. Also note that these two metrics can be used together in a region. Recognizing that strategies can be developed for both the short- and long-run, it is essential to identify metrics that can be captured over the course of several years.

### IV. Industry and Occupation Data and Metrics

#### A. Public Sources

The data and analysis components described above can be collected and structured through multiple data sources, organizations, and private companies. The list of sources below is not exhaustive (and is expanded upon in the URL referenced in the Appendix), but many of the sites and organizations provide good starting points for economic research.

1. **Federal Sources** – Many federal agencies report specific data on the economy. Some datasets are focused on national trends, while others are focused on regional and local industries. Below are a few sources and the types of data that can be collected from each.
  - a. **U.S. Census Bureau** – Reports data on households, poverty, income, and commuting patterns.
  - b. **Bureau of Labor Statistics (DOL)** – Reports data on occupations, employment, inflation, and prices.
  - c. **Bureau of Economic Analysis (DOC)** – Reports data on trade, industry output, and input-output multipliers.
2. **Regional/State Sources** – Many sources of local-level data can be obtained through regional and state organizations.
  - a. **State labor market information (LMI) agencies** – Each state has a LMI agency that gathers specific industry, occupation, education, and other data to provide to state-level leaders. Many of these agencies can be contacted directly for special data requests by local economic developers.
  - b. **Utility companies** – Many utility companies maintain regional datasets on the areas they serve. As part of

community outreach and economic development, the utility companies provide a great resource for obtaining needed data.

- c. **Economic Development Corporations (EDCs) and Area Development Districts (ADDs)** – As part of their operations, EDCs and ADDs often conduct research and surveys on their local areas. The information and data collected can provide good insight into the types of economic activity taking place in a local economy.
- d. **Workforce Investment Boards (WIBs) and Workforce Development Councils (WDCs)** – Similar to EDCs and ADDs, workforce boards also collect and maintain regional data on the workforce and often on industries.

## B. Industry Data

Understanding the types of industry data available is critical to understanding an area's economy. Specifically, knowing how the region functions and what drives job creation or destruction allows for better planning of the area's future. For example, in the face of significant economic downturn in certain areas of traditional manufacturing, some communities have undertaken a rebranding approach to drive investment and job creation in high-tech or advanced manufacturing, clean energy, and research and development.

### Newton, Iowa, Reshapes Economy after Maytag Closure

When faced with an impending closure of its largest and longest running employer (Maytag), Newton, Iowa undertook a new strategic direction to diversify its economic base and rebrand the region. The case study on page 19 discusses that process.

Archetypal industry data and analysis includes evaluating historical, current, and projected growth/decline of an industry, at various levels of the NAICS hierarchy. Often, mistakes are made when specific industry performance and information is not taken into account. For example, the perceived decline in the manufacturing sector may have merit on an aggregated level. However, more often than not, specific pockets of manufacturing growth can be identified in most areas. These manufacturers may have leveraged specific regional characteristics and/or amenities in order to outperform industry expectations—a quality that should not be overlooked. The following types of industry data are available:

- **Employment:** Historical, current, and industry projections.
- **Percent change:** Enables further insight of the rate of change within an industry.
- **Earnings:** Evaluates industry productivity and value.
- **Percent regional employment:** Characterizes how much of an industry sector's employment is within the region.

## C. Occupation Data

Knowing the occupational structure of the regional economy is just as important as understanding the industrial structure. Historically, workers were viewed as labor “inputs” to a production or service process. From an economic development standpoint, knowing the occupational and skills talent that resides in a regional economy can help to more narrowly target prospective employers, or assist current employers with expansion and diversification opportunities.

Occupation data are classified by the Standard Occupation Classification system, or SOC. Occupation data can be constructed in a fashion similar to industry data, with a few additional data points that can be calculated. The more prevalent types of occupation data utilized by practitioners are:

- **Employment:** Historical, current, and future occupation projections provide a complementary perspective to industry data. Knowing the occupations that coincide with industry needs can enhance the capabilities of existing companies or be used as a tool to recruit new companies.
- **Percent Change:** Gives a deeper understanding of the types of occupations that are growing or declining.

- **Occupation Location Quotient (LQ):** This metric signifies concentration of specific occupations, when compared to a larger geographic context (e.g., state or nation). For example, Silicon Valley has a significant concentration of computer engineers and computer programmers that support the burgeoning information technology industry sector.
- **Demand (new and replacement jobs):** Understanding the future demand for both new and replacement jobs, especially those in critical industries, can assist in developing talent supply pipelines (through education, workforce training, etc.) to support economic development.
- **Percent Regional Employment:** This metric indicates the occupational strengths the region possesses. Regions with a skilled workforce can be easily identified because a large percentage of the occupations may require postsecondary education. Knowing the extent of employment in these occupations can be useful in marketing the region.
- **Wages:** Occupational wages are a critical metric to understand.

## D. Using Metrics to Identify Target Sectors

Data and metrics should be used as part of the process to identify the direction of strategies, assist in the formulation of goals and identify regional target industry sectors and clusters (in other words, where a region may have a comparative or competitive advantage). Many of the metrics and measurements described above help identify regional industries with competent and capable workforces. Other industries that require similar skills may also be interested in leveraging those skills. These data can be used in a variety of analyses (described in the Appendix) to assist a region in identifying industries with the characteristics the region desires to promote and expand.

## E. Bridging Data and Professional/Local Knowledge

This final section focuses less on data and more on the qualitative factors within a region not easily captured by data and metrics. To conduct regional planning based solely on data, metrics, models, and analysis would lack a robust view, as the region would fail to capture the qualitative factors that need to become a part of its assessment. Qualitative factors may include new and current initiatives not reflected in historical data (e.g., initiatives to develop research centers in a new industry sector, for example green energy, or breakthrough R&D that is heading to commercialization).

Other elements may include the tacit knowledge of the region's leadership, as no dataset can reflect the key knowledge that community leaders may possess. Current initiatives with community partners (e.g., a policy driven by economic development partners or political considerations) and other factors may be important to consider when making final decisions. A final element to consider is culture. The region's leaders have the context to consider cultural factors, such as a bias against office parks or towards "green" initiatives. These issues should inform decision making. When evaluating opportunities or strategies or making decisions, the leadership should determine what other non-quantitative factors may provide better understanding and context for decision making.

## F. Data Tools

Several free tools are available to researchers, outside of the standard government tools described in Part IV of this chapter. These tools leverage existing proprietary or publicly available datasets to create value-added information that can be used in the decision-making process. A list and description of recommended tools can be found by looking in the Appendix.



“ A regional economy is generally connected by many types of economic activities.... However; economic activity... is also connected across geography. The boundaries of markets rarely adhere to political jurisdictions. ”





**Inside this section:** Identifying members for your regional leadership group; addressing short-and long-term economic planning needs; creating and building a regional identity.

# Chapter 4

## Understanding Economic Adjustment

It is important to gain an early understanding of some key adjustment concepts before getting into the “how-to” details. Three key overarching concepts are introduced in this chapter.

In conceptualizing economic adjustment strategies and activities, it is important to keep several overarching themes in mind, as these guide all aspects of the effort, including organizing, planning and implementation. Introductory information on each of these themes is presented here, with more detailed “how-to” information on each included in the appropriate “organizing,” “planning” and “implementation” chapters.

- All available resources—financial, political, and otherwise—need to be tapped to support regional economic adjustment efforts. It is therefore important to ensure that all voices and perspectives are heard. The initial forum for those voices and ideas is the regional Leadership Group (LG), which may be known by different names in different regions, and consists of all stakeholder partners.
- Details on forming the regional LG are found in Chapter 6. While the LG ideally represents all assets in the community, it is important to enlist the broad community in order to enhance the probability of success in both the planning

and implementation stages. Chapter 7 therefore includes a discussion of relevant community engagement strategies.

- Partners should work toward a regional versus a jurisdictional approach to economic adjustment. Obtaining elected officials’ support for regional activities is crucial; experience demonstrates that where they do buy in, success often follows. Where they do not, success is typically elusive. Ideally, political support is expressed through the alignment of partners’ existing budgets in support of regionally-determined goals.
- Short-term activities to meet the immediate needs of impacted workers and businesses must align with and advance longer-term strategies for economic diversification and growth. The need to ensure a complementary synergy between short- and long-term efforts; the importance of basing long-term efforts in a shared community vision for the future; and the need to build regional resilience is introduced here and discussed at length in Chapter 6.



Responding effectively to defense industry adjustment requires the committed and sustained engagement of a wide variety of partners.

## I. The Regional Leadership Group (LG) and Roles of Key Partners

While the economic adjustment response may be managed or coordinated by one organization or entity, success requires that all potential partners be meaningfully engaged in a regional Leadership Group. This includes partners from a wide-variety of disciplines, such as economic development, workforce development, education, business, community-based organizations, and non-profit entities. As important, the collaborative must include representatives from various “levels” of federal, state, regional, and local government. This approach brings all regional assets to the table. The benefits of engaging all potential partners in a regional Leadership Group are discussed more fully in Chapter 6.

As diverse as regional economic adjustment collaboratives are, it is imperative that they speak and act with one voice. All efforts should connect to and support the overarching regional vision and shared regional goals. Engaging such a diverse group in economic adjustment efforts can pose coordinating challenges, which are explored briefly here, and comprehensively in the chapters that follow.

Responding effectively to defense industry adjustment requires the committed and sustained engagement of a wide variety of partners. Each of these partners brings unique insight and resources to the effort. The strength of the network implementing economic adjustment activities is of utmost

importance. Just as important, however, is that the priorities of the diverse partners are aligned around the shared vision for their region’s transformed future.

Engaging stakeholders to support defense adjustment and economic transformation activities requires impacted communities to consider the leadership qualities that will make them most successful. For example, well-established, recognized leaders with strong networks and long experience in the community are assets. At the same time, however, new and emerging leaders typically bring fresh perspectives and energy to regional transformation efforts, not to mention additional financial assets. Ensuring a mix of “traditional” partner representatives and new voices brings the desired combination of contacts, experience, and vitality.

In determining which of the partners discussed below should lead coordinating the response to defense adjustment, regions should identify the entity that is best-positioned to assume this role, which depends upon the particular situation and the communities impacted. In many cases, economic development or workforce development organizations assume the coordinating leadership role. Regardless of which organization serves as the coordinating entity it is critical that the focus be regional in nature and reflective of all impacted communities. Entities engaged in responses to defense adjustment activities have to think “beyond their borders”—which are often geographical or municipal in nature—and develop solutions to address community impacts region-wide.

### Keys to Success in Economic Adjustment:

- All voices and perspectives are heard, and all resources are brought to the table;
- Partners take a regional, cross-discipline approach;
- Short-term activities align to enhance long-term strategies, and both are largely driven by data; and
- The stakeholder group must consistently speak in one voice.

## A. Economic Development

As noted above, general purpose economic development organizations often take the lead role in coordinating the regional response to defense industry adjustment efforts. Because these organizations are often well-engaged with, and trusted by, area employers and industry associations, they can serve as the primary liaison to the business community in the affected region. In this capacity, they can engage new employers in response efforts, assist in identifying career transition opportunities for affected workers, and supply important business intelligence to inform the development and implementation of industry sector and cluster efforts. Economic development entities also frequently collect and disseminate important data and related analysis on the local economy, which should be leveraged to inform the development of relevant economic diversification and growth strategies.

Figure 4-1:  
Ideal Regional  
Leadership  
Group and  
Key Partners



In addition to those local/regional organizations, specialized economic development and business assistance organizations may play a role, though rarely if ever an overall coordinating or lead role. Organizations such as Manufacturing Extension Partnership (MEP) and Small Business Development Centers (SBDC) offer support services that can be useful within specific contexts.

## B. Workforce Development

Workforce development organizations, particularly Local Workforce Investment Boards (LWIBs), often play a leading role in economic adjustment initiatives. In this role, they support adjustment activities through strategic investment of available resources to assist affected workers and area businesses. LWIB members, can also be tapped to provide first-hand insight into industry human resource needs in the context of defense adjustment and economic transition.

Workforce development entities also play a primary role in providing reemployment services to affected workers. A common challenge in retraining is a lack of sufficient education and training funding. State and local workforce development organizations must be resourceful and creative in identifying and aligning multiple funding sources. Many regions facing

significant worker layoffs find that obtaining a National Emergency Grant, or NEG, from the U.S. Department of Labor is the best solution for addressing worker services resource challenges, especially the need for re-training in specific skills.

Rapid Response teams are also charged with providing assistance to companies facing the challenges presented by economic adjustment. Rapid Response teams work with employers to quickly maximize public and private resources to minimize the disruptions associated with layoffs, offering customized services on-site or through other avenues to support affected companies.

In addition, some workforce areas have used Rapid Response funds to implement extensive layoff aversion initiatives. The workforce system is authorized to work with partners to analyze the affected suppliers, determine how dependent they are on a prime contractor for their sales, and help them take steps to mitigate the impact. They can help the suppliers find new customers and reduce costs through production efficiencies, etc. These activities have the potential to save jobs among suppliers and, in the manufacturing industry, are often supported by the state's Manufacturing Extension Partnership.



# Hampton Roads Adjusts to Defense Efficiencies

**SITUATION:** In 2010, the Secretary of Defense proposed the disestablishment of the United States Joint Forces Command (JFCOM) headquarters as part of a larger effort to drive greater efficiencies within the Department of Defense. Located in the Hampton Roads region of Virginia, the USJFCOM headquarters managed the command's four primary missions—joint concept development and experimentation, joint training, joint interoperability and integration. Hampton Roads was an area already impacted by job loss from the 2005 Base Realignment and Closure process, and this new job loss was expected to affect over 4,000 DoD civilian and contractor positions.

**SOLUTION:** JFCOM's role as joint force trainer necessitated a reliance on contractors to develop the complex computer systems, networks, and software required for its mission. This led to a concentration of information technology, Modeling and Simulation (M&S) expertise in the Hampton Roads area. These careers generally paid well above national and regional salary averages, and the loss of these jobs was expected to have a significant impact on the region.

With technical and financial assistance from OEA, the Commonwealth of Virginia sought to leverage this talent base as an economic development asset. Since M&S technologies hold the potential to revolutionize the way businesses operate, the Commonwealth saw an opportunity to leverage this industry by using the technology to help existing businesses find ways to streamline toward greater productivity.

First, the City addressed the immediate needs of the displaced JFCOM workforce in order to boost local retention. The second step was to understand the scope and breadth of the existing M&S technology sector in the region. A detailed economic analysis of the sector in the Hampton Roads region was completed to meet this need. Finally, the Commonwealth identified high impact options for transitioning the M&S industry sector from defense applications to commercial opportunities, by supporting “enabler” efforts as they were identified.

A comprehensive analysis of the M&S sector discovered an emerging market segment in medical M&S devices and technologies. The Commonwealth moved to support efforts at the Eastern Virginia Medical School and the National Center for Medical Modeling and Simulation which hold great potential to attract other companies in the sector.

**OUTCOMES:** The effort to retain talent in the M&S sector and to understand how best to leverage and expand the existing business base has set the conditions for the Hampton Roads area to begin direct business attraction and development. The economic analysis and subsequent regional strategic plan was so promising that the Commonwealth later expanded the study on a statewide basis as a separate effort. The Hampton Roads experience with the JFCOM disestablishment is an excellent demonstration of how developing a clear, long-term vision founded on data can help a region recover from reductions in defense spending.

## C. Education

Partners from the education arena—particularly community colleges, four-year institutions, and other career/technical training providers—play critical roles in defense industry adjustment efforts. A core part of their mission is educating students, and in this context they can provide important retraining and up-skilling programs for workers impacted by layoffs. Increasingly, educational institutions assume catalytic economic development roles, as they frequently have very close relationships with area employers, who rely upon them for customized workforce training and other services. As such, colleges and other post-secondary institutions are often well-positioned to lead regional efforts to nurture and grow targeted industry sectors. In this way, they not only serve the impacted defense workforce, but also can help engage and train the larger talent pipeline for targeted industry sectors.

Within this context of broader, regional industry sector development, secondary schools, particularly those middle and high schools with career training programs, should also be engaged to implement the long-term vision. Secondary institutions should play leading roles to foster career exposure and career exploration activities for students, as well as offering relevant training programs and related courses of study. Secondary educational institutions can play major roles in recruiting and building the workforce pipeline for regionally-targeted industries.

Colleges and universities play an even more direct role in supporting regional development. These higher education institutions can serve a variety of functions. At the most basic level, they serve as talent magnets—attracting smart young students, faculty, and staff and training students for potential careers in local industries. Universities also generate new ideas and research, which is often commercialized in companies that create new jobs and economic opportunities. Finally, many colleges and universities can and do take a more direct role in supporting economic development by advising and supporting local companies, or by investing in local projects and activities.

## D. Business Community

In order for economic adjustment efforts to succeed, the business community—business owners, human resources representatives, industry associations, Chambers of Commerce, and others depending on the particular lineup of organizations in the region—are essential partners to engage. The business community can not only help inform immediate workforce transition efforts, but also provides critical insight for intermediate and long-term industry sector development activities. The business community’s “on-the-ground” insight into industry needs, now and in the future, is important to hear in any regional adjustment effort, and informs the development of strategies related to education, workforce development, economic development, infrastructure and technology enhancement.

Because of the business community’s unique insight—and resulting credibility—communities should engage business as a visible leader or co-leader of the defense industry adjustment response. Business leaders should also play major roles on the larger Leadership Group for economic adjustment efforts, and this group should reflect a wide diversity of employers and other industry stakeholders. Regions should engage business representatives from all major industry sectors, and be sure to include a mix of large, medium, and small businesses. It is important to include representatives from well-established businesses, as well as new firms, including entrepreneurial and start-up firms, if they exist, in addition to organizations that represent business interests, such as Chambers of Commerce and industry associations.

## E. Other Community Organizations

A wide variety of other organizations—community-based groups, faith-based organizations, non-profits, unions and others—may be critical components of a regional response to defense industry adjustment efforts. These organizations may be critical assets to communicate with and engage affected workers and their families, and often provide services and resources that augment and enhance the impact of other partners’ services. Regions addressing defense-related economic transitions should be sure to identify and engage the full array of community partners that can assist in supporting, retaining, and reemploying the impacted workforce.

## II. Regional Approach

In Chapter 3, we discussed the notion of functional economic areas as the framework for identifying and defining a region. We also acknowledged additional considerations when we look at a region for the purpose of planning and implementing an effective response to an economic shock.

Political and geographical boundaries and borders have become virtually irrelevant in the global economy. Cities, counties, and municipalities traditionally able to determine their own economic fate now find their destiny linked to those that share their regional economy.

It is unlikely that a regional economy will achieve transformation unless there is a shared regional identity and a shared vision for regional economic growth that all the partners own—both as collective and individual partners. These partners will need to align the strategies and resources of their own organizations and systems to the regional vision, as well as raise additional resources to implement activities defined in the regional plan. Creating the regional identity drives regional strategies, new investments and alignment of current investments, and is therefore critical.

Creating a shared regional identity occurs over time. In a true region, partners:

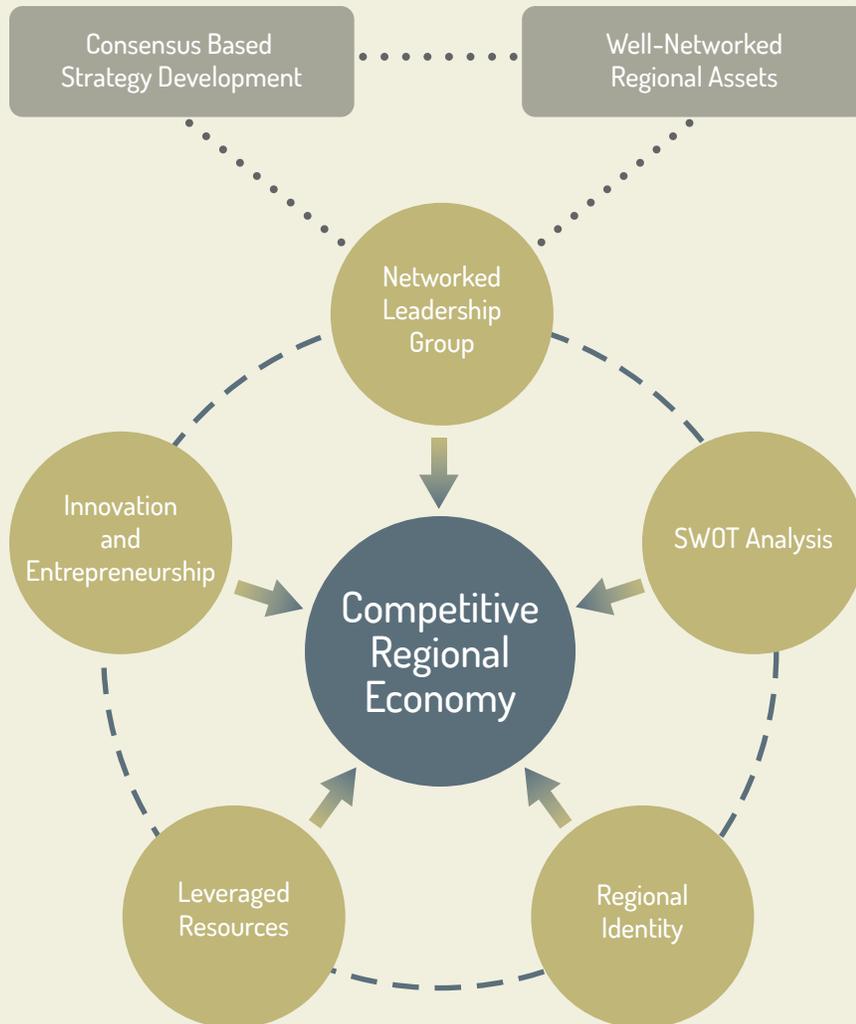
- Identify with the region as a whole;
- Accept their economic interdependence across sectors and jurisdictions within the region; and
- Commit to collaborating to ensure regional economic competitiveness.

The development of a regional identity (which is not necessarily a brand, but it can be) and the vision for regional economic growth are critical to sustaining a globally competitive region. The vision is especially critical to driving new regional behavior and is the touchstone when a region faces challenges—something almost guaranteed given the wide array of interests represented in a regional economy. The vision also drives regional strategies, new investments, and alignment of current investment. (See Chapters 6 and 7 for the full discussion of visioning.)

The necessary elements for creating a globally competitive region are depicted in the graphic on the following page and discussed throughout this Guide.



Figure 4-2:  
The Globally Competitive Region



“Responding effectively to defense industry adjustment requires the committed and sustained engagement of a wide-variety of partners who are networked to align regional resources to regionally-determined goals and objectives.”

### III. The Economic Adjustment Continuum: Addressing Both Short- and Long-Term Needs

Communities facing significant economic transitions encounter a vast number of impacts and needs. Some of these are immediate and shorter-term in nature; for instance, providing assistance to workers and businesses adversely affected by defense downsizing. Others are intermediate and longer-term in nature and require strategies that can position communities for economic diversification and growth far into the future. However, short- and long-term strategies to address the impacts of economic shifts must be interconnected and complementary. Developing and implementing economic

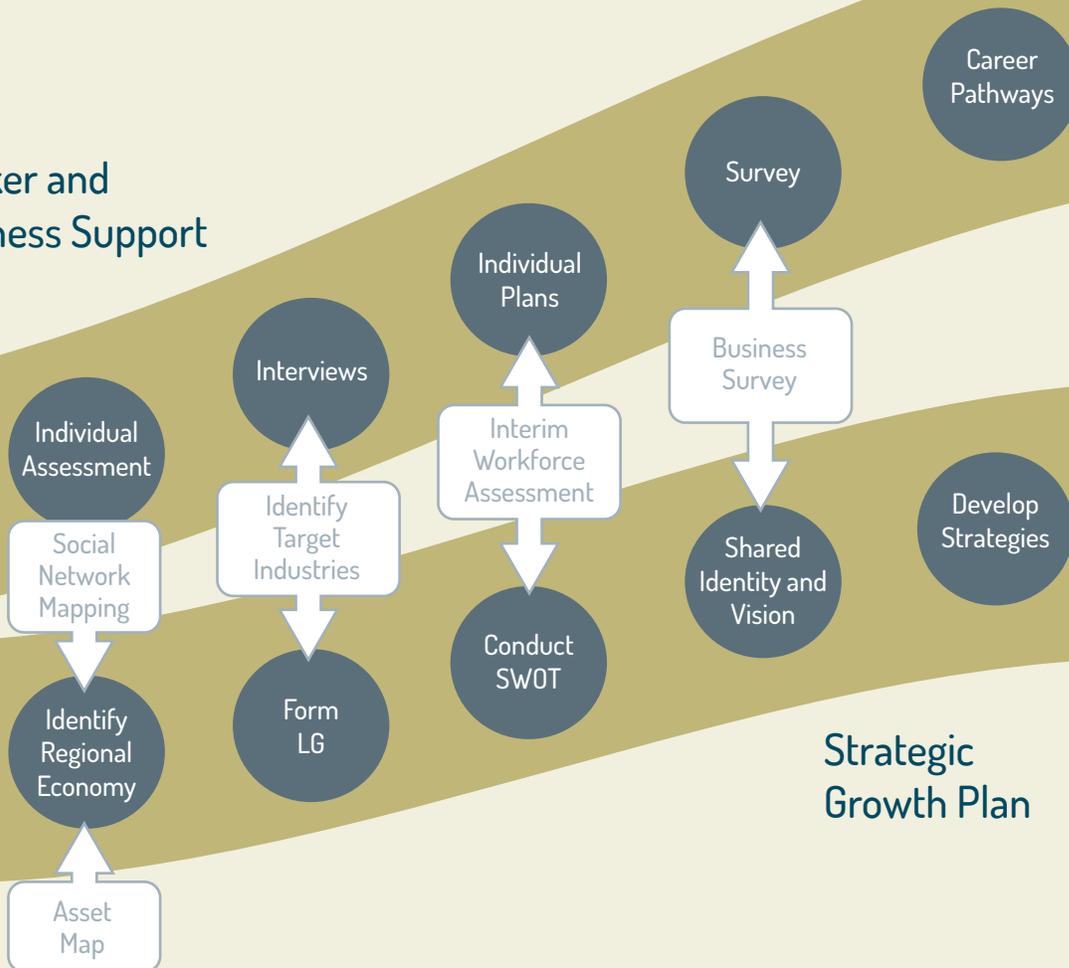
adjustment strategies that simultaneously address immediate needs and ensure the long-term economic health of a region can be a daunting challenge. However, it is a challenge that offers communities unprecedented opportunities to re-envision their futures and pursue new avenues for innovation and competitiveness.

The graphic below illustrates how one region made sure that its short-term worker support services were coordinated not only with its long-term strategy development, but also with a number of data reports that would inform both strategies. Those reports are shown in white in the graphic. The “Worker and Business Support” arrow on top represents activities focused on the short-term, while the “Strategic Growth Plan” represents longer-term activities planned to ensure regional

Figure 4-3:  
Coordinated Strategies

#### Worker and Business Support

#### Strategic Growth Plan



economic revitalization. In the end, the two strategies actually merge, as short-term assistance activities decline over time and longer-term strategies are implemented.

## A. Addressing Immediate Needs of Workers and Employers

As discussed in Chapter 3, regional leaders will need to assess both short and longer-term impacts on the economy, planning quickly to meet the immediate needs of workers and businesses, while organizing to develop a vision on which to base long-term planning. The earlier a community learns of an impending defense industry adjustment event, the more time will be available to gather all the data and information needed to prepare the response. As most defense-related events occur over time, with workers being laid off in planned phases so as to ensure mission completion in an efficient manner, if regional leaders establish positive relationships with the involved firm(s), it may be possible to avert some layoffs or to transition some workers into new jobs as soon as layoff occurs.

If an immediately affected firm is moving on to another mission, it may want to relocate and retain some of its workers. Since most of the workers will have been well-trained and have a history of employment, these displaced workers represent workforce assets that the community will want to preserve locally.

All of this requires analyzing both short and long term needs. As soon as notice is available, communities should immediately begin engaging all relevant partners, as discussed above, to develop a coordinated response to the reemployment and possible retraining interests and needs of workers impacted by the adjustment. It is critical that partners be engaged in a way that ensures seamless and non-duplicative coordination in service planning and accessible service delivery, and that partners strive to provide impacted workers and their families with comprehensive and customized services and solutions. Community partners should collaborate closely to ensure that worker services and supports are aligned, well-synchronized, and valuable to workers and their families.

As important, community partners must consider potential impacts of defense adjustment on area employers, who may be part of the defense facility's supply chain, or who may derive a significant amount of their business from the patronage of impacted workers (e.g., eating establishments, dry cleaning

establishments, medical offices and other retail and/or service businesses). Defense supply chain businesses may very well be able to offer reemployment opportunities to impacted workers that either possess needed skill sets or could be easily retrained to build those skill sets. In the case of retail, service, and other establishments that could risk losing business due to worker layoffs, it is important to develop strategies to retain and reemploy the impacted workforce in the community, as well as devise complementary efforts to support those businesses in retaining, expanding, and diversifying their customer bases.

As communities engage affected employers in their areas, support efforts should be connected to regional strategies for developing and expanding targeted industry sectors or clusters. These efforts should engage a wide range of firms within each cluster. For example, in an advanced manufacturing industry cluster, support efforts will focus on manufacturers themselves, but might also engage firms operating in related businesses such as transportation, distribution, and logistics; or retail/sales. This broader focus ensures that immediate-term efforts to assist area employers also advance longer-term goals for industry base diversification and economic expansion.

## B. Addressing Longer-Term Needs

Any significant economic adjustment event can shock a region, and create a sense of instability and uncertainty. However, these events also present communities with the opportunity to come together to craft a new vision for the region's future—five, 10, or 20 years from now, and even further. In crafting this vision, community stakeholders come together to define the key characteristics of their "ideal" future—the strengths, attributes, and competitive advantages for which they would like their region to be recognized.

Once the vision for the region's future has been established, communities conduct an honest and comprehensive assessment of the current "state of the region" relative to the vision. The purpose of this exercise is to identify gaps between the current state—the "as is"—and the desired state—the "can be." Communities typically assess any number of areas in this process, including the diversity and health of the region's key industry sectors; the quality and quantity of the region's workforce; quality of life characteristics; educational attainment and output levels; infrastructure and technology assets; and others.

Often, this assessment is conducted through a SWOT (strengths, weaknesses, opportunities, and threats) Analysis, in combination with consultations with key community stakeholder groups, as discussed in Chapter 6. With the vision as the touchstone, and a shared understanding of both regional gaps and regional strengths, communities are then positioned to begin to formulate intermediate and long-term economic development, workforce development, education, and other strategies and action steps to move toward their desired future state.

It is important to emphasize the need for synergy between all short-term, intermediate, and long-term economic adjustment strategies and activities. All strategies—whether they are immediate action steps or activities that unfold over a span of a decade—must align to and support the shared vision and identified goals for the region’s future. Ensuring that this is the case is not a “one-time” process. Rather, throughout the course of implementation, successful communities should continually assess their efforts in relation to the established vision and goals. Communities should look for opportunities to make any necessary adjustments or enhancements as conditions evolve, and as new opportunities for regional transformation arise. While many defense-related economic adjustment efforts are initially funded by grants, the time horizon for a successful adjustment will most likely outlive the availability of grant funding. Stakeholders should address this issue early and become self-sustaining as quickly as possible.

### C. Bringing the Community Together Around a Regional Vision

A region that undertakes a community visioning session is embarking on an important and powerful pathway. The process is an opportunity to create the future and galvanize community members in working toward the fulfillment of this common purpose.

The importance of creating a common vision for a region, community, or industry is generally well understood. Community-based surveys and research show that at a basic level, people agree that having a common vision is very important and that key decisions should be connected to the direction defined by the vision.

While the act of creating a vision for the future can be an inspiring and joyful experience, it is often done in the context of a crisis or economic upheaval. In this environment, it becomes even more important for a regional community to plan carefully for the future, and work to apply limited resources with the greatest effect and outcome on the ground. Therefore, having a commonly held vision and view of the future becomes more critical.

### D. Visioning, Community Engagement and Regional Resilience

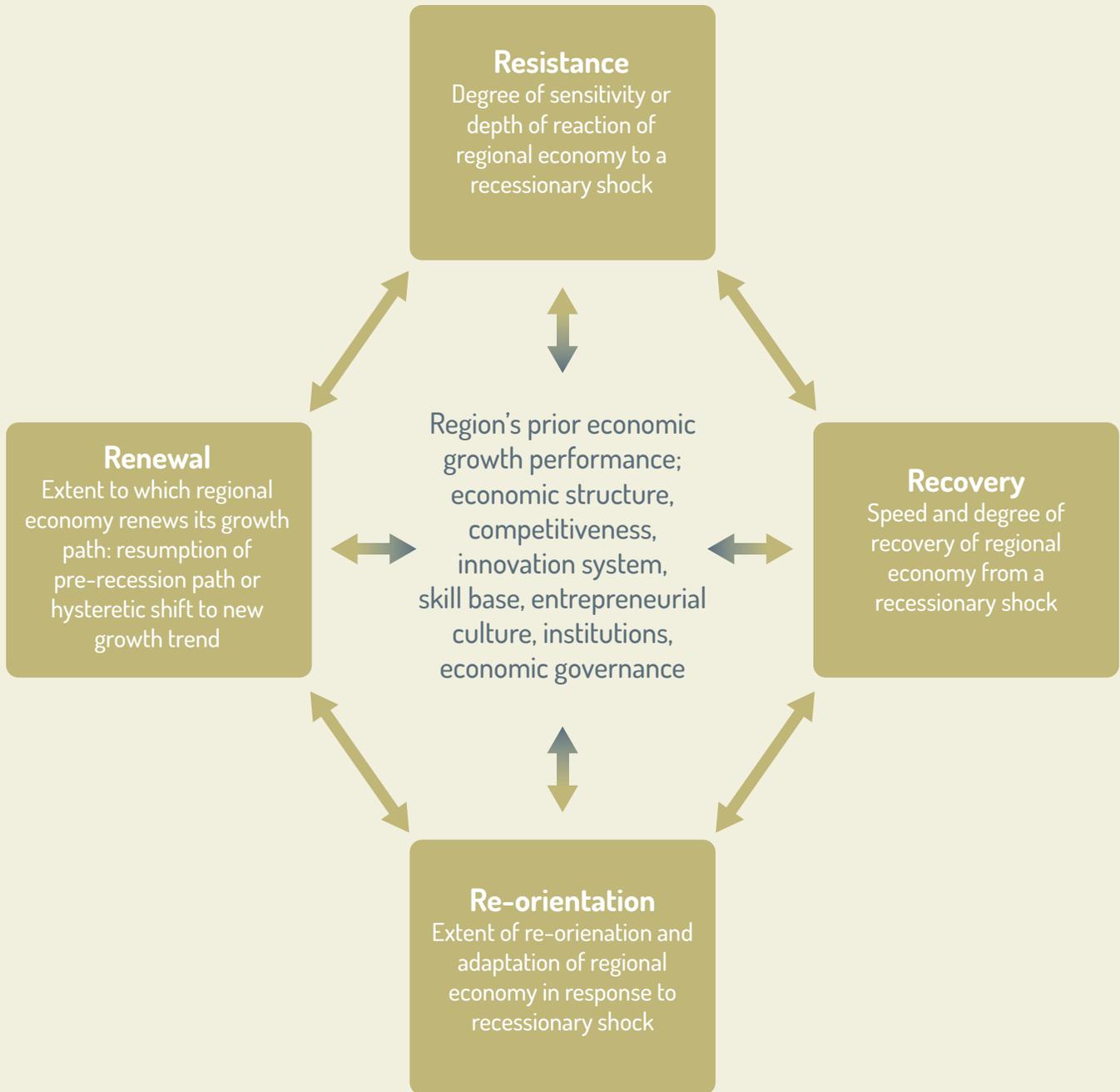
A fully effective visioning processes aims to engage community stakeholders, business leaders, key organizations and citizens in a meaningful dialogue about how to strengthen and utilize the social, economic and environmental capacity to flourish in light of changing global, national and local conditions. Partnering with the broader community to coalesce around a long-term vision and the creation of a system for ongoing community and stakeholder engagement is fundamental to this work.

Underpinning these trends is recognition of the need to build lasting regional resilience. It is likely that a region will continue to receive economic shocks and changes over time. Building the ability to respond to such changes (and even anticipate and preempt them) is increasingly being recognized as critical capacity building to create sustainable regional futures. Current research on regional resilience is helping redefine the role of visioning processes.

An effective visioning process has a role in building regional resilience, especially in helping regions refocus and speed recovery, but also importantly define the reorientation and adaptation to new opportunities. As a result, for visioning processes to achieve the greatest success, they are very systemic in nature and build capacity for change as they fundamentally redefine the focus of the region.

Additional detail on various visioning processes; the practical aspects of designing community engagement approaches and using visioning in planning; and designing effective outcomes will be covered in Chapter 7.

Figure 4-4:  
Four Elements of  
Regional Resilience



Source: Justin Doran, University College Cork, Ireland 2011

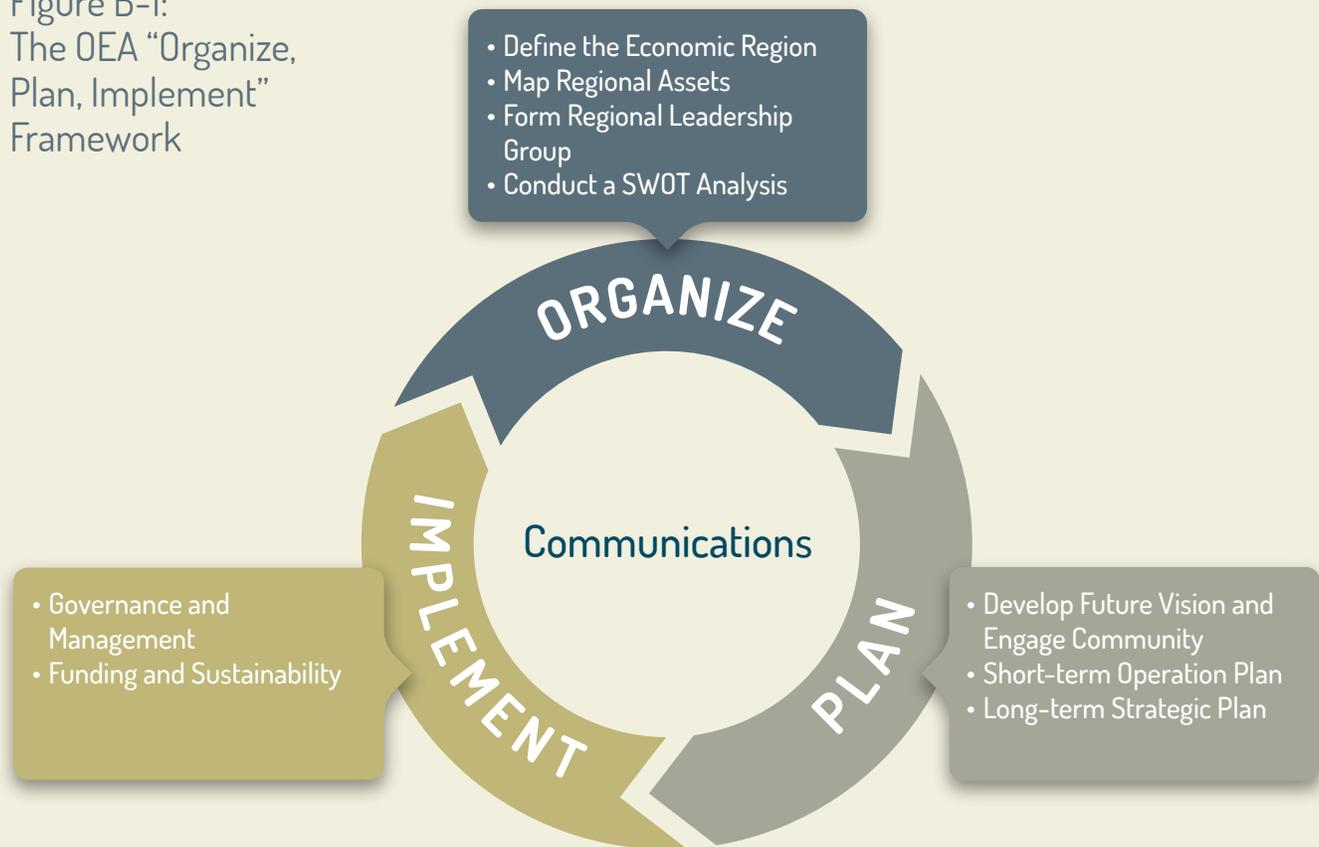
# Part B: The Planning Process

Part B describes a step-by-step process for communities and regions to follow in order to develop a regionally-based, collaborative economic/workforce development vision and plan to reduce dependency on defense spending. This process, though described as “step-by-step,” is not linear in practice. In total, it represents the “how” of economic adjustment, but that is not to say that the process is neat and tidy. In fact, regional leaders involved in developing a plan will realize that external conditions change rapidly and that new information and resources come just as quickly. This often requires a degree of backtracking and rethinking.

Economies do not become defense dependent overnight. Successful diversification and transition of a regional economy requires a long-term, collaborative effort from community and business leaders; local, state and federal policy makers, and influencers; and the people who live and work in the region itself.

The following graphic depicts the three primary steps and sub-steps:

Figure B-1:  
The OEA “Organize,  
Plan, Implement”  
Framework



The next four chapters highlight:

**Chapter 5: COLLABORATIVE COMMUNICATIONS** – Communicating the nature of the crisis and the need for a coordinated response and economic revitalization has to begin immediately. The nature and process for developing and implementing a communications plan is discussed here as the first planning step. In fact, communications is an overarching function that begins early and is carried out throughout the entire process.

**Chapter 6: ORGANIZE** – As with any collaborative effort, organization is all-important. This chapter extends the discussion of regional approaches begun earlier by discussing ways to define the geographic boundaries of the regional economy. Collection and analysis of data is very important in this process, but, in the end, it is people and officials from the various jurisdictions affected by the defense adjustment who decide whether they will bring their assets to bear on the impending challenge. In other words, who is “willing to play?” Once the geographic boundaries are determined, a number of other organizational and information-gathering steps are discussed:

- Asset mapping;
- Forming the regional Leadership Group; and
- Conducting a SWOT Analysis.

**Chapter 7: PLAN** – This is the most extensive chapter in the Guide. It first discusses development of the future vision and ways to engage key community segments, including emerging social media approaches. The chapter also covers the relationship between a short-term plan to reemploy those adversely affected by the immediate layoff and a longer-term strategic development and diversification plan, as well as the dynamics of putting those plans together. The importance of articulating SMART goals is discussed, along with a typology of focus areas for strategy development:

- Cluster development focus;
- Entrepreneurial development focus;
- Workforce development focus; and
- University-focused strategies.

Finally, a range of strategies to support businesses in transition is covered as part of developing the short-term operational plan and the longer-term strategic plan for the region.

**Chapter 8: IMPLEMENT** – Implementing and sustaining a readjustment effort are the key focus areas of this chapter. This chapter can guide regional officials in considering governance, sustainability, evaluation metrics, and how the regional plan can and will evolve over time. Some of the particulars in this section include:

- Establishing and carrying out plans for ongoing governance;
- Managing implementation and encouraging performance by tracking metrics; and
- Locating resources both within and outside the region to implement initiatives.

“Economies do not become defense dependent overnight. Successful diversification and transition of a regional economy requires a long-term, collaborative effort...”



**Inside this section:** The overarching role of communications throughout the planning process; constructing a communications plan; and creating a brand.

# Chapter 5

## Collaborative Communications

There are so many moving parts, individuals, perspectives and ideas represented in collaborative initiatives of this type that it is essential for all stakeholders to strive for transparency and comprehensiveness in all communications.

It is only with all relevant information accessible to all that the most productive decisions can be made, and optimum support for implementing the plan built.

With the explosion of information available to everyone on just about any topic imaginable, the task of interesting, attracting, and engaging the citizenry in a public initiative is an ever greater communication challenge. As communications media now provide almost limitless ways to reach people, the competition for people's attention has similarly exploded. In such a dynamic environment, it is always a good idea to "go back to basics."

This chapter covers the utility of "new media," but does so in the context of the steps and processes of "tried-and-true" communications planning and implementation techniques. Developing a communications plan isn't merely working through how to get information out; it is identification of the strategy that will guide communications efforts. Through

this process, organizations will have the tools to identify audiences, craft effective messages, look at existing tools for communicating, and identify new strategies and tactics to help engage and transform a region. Additionally, the communications planning process identifies means for developing metrics to evaluate communications activities.

### **I. Why Communication Matters: The Overarching Role of Communications in Joint Workforce/ Economic Development**

The planning process described throughout Part B constitutes a roadmap for moving activities, people, and priorities forward through collaboration. Strategic communications planning helps regional leaders and residents better align around a single vision



Communications is a cornerstone of each phase of the Organize, Plan, and Implement process.

“Comprehensiveness and transparency are the guiding principles for communication.”

and bring their talents and expertise to the process without overlap. Communicating with every audience also creates trust throughout a community. Additionally, communications planning and implementation serves as a cornerstone of each phase of the Organize, Plan, and Implement process.

The Communications function supports the overall economic development initiative. Communications planning provides an opportunity for the Leadership Group to consider its key audiences and messages and think through measurable outcomes for communications. As the communications plan is put together, leaders will also identify existing and new ways for disseminating their messages to different audiences. Implementing a communications plan and various tactics will have a variety of benefits. Frequent and organized communications:

- Enhances transparency, building trust and confidence in the community;
- Helps break down silos and barriers among community and business leaders not accustomed to working together;
- Engages the community under a common vision and mission, even as that vision initially emerges and then continues to evolve; and
- Increases the likelihood of long-term success for a region.

Communications activities should be tailored to inform, engage, and build buy-in and support for regional change, as appropriate at each stage of the process. Since a coherent communications strategy is so important, and since its focus, audiences, and messages are different at various points in the planning process, it is productive to briefly examine the communication function as a part of each of the three generalized stages that will be discussed in the next three chapters.

## II. Communications Throughout the Planning Process: Organize, Plan, Implement

Developing a strategic communications plan at the outset of the initiative may seem daunting at first. However, engaging leaders to develop a comprehensive plan will help anchor the group in the larger mission and vision being established. As events unfold, the communications plan will be revisited and revised as conditions change and as new requirements emerge. Because each region has different goals and faces different circumstances, no two plans will look exactly alike. Some communications plans may be detailed narratives, while others may be tables and charts—depending on the realities of the situation.

### A. The Organize Phase

At this point, communications will be broad in terms of who needs to be reached (audience) and what the community at-large needs to know (message). The goal is to ensure that all of the various audiences within a community understand the purpose of the initiative. At the same time, communications during this stage can also serve to interest key stakeholders and potential partners in joining the collaborative regional effort.

Communications in the Organize Phase will have two primary objectives:

- Inform the general public of the situation and the need to build a plan to reemploy the affected workforce in the short term and diversify the region's economy and workforce over the long term; and
- Attract the attention of regional leaders from all segments, setting forth the “What’s in it for me?” or WIIFM statements, in an effort to engage them in planning efforts.

The phase will require community-wide education, outreach, and input. Leadership will need to explain the region's challenge and how that problem affects each segment of the community. Many residents of a region will likely understand the impact that changes may have but may not completely understand how they can help. Additionally, some residents may have ideas, resources, or time that they can contribute to the process. The key to engagement throughout the whole process is to allow as much two-way communications as possible.



In the early stages of any collaborative effort, communications will be stripped down to its most basic components. Town/city meetings, emails, phone calls, newsletters, mentions in speeches from leadership, and web announcements are all easy and early communications tools that regional leaders can use to engage and build support for their effort. One-on-one meetings and conversations are the original communications tools, which can be effective when working to bring the right people to the table in the beginning of a communications effort. As an initiative matures, communications should and will naturally become more formal and more targeted to specific audience groups.

## B. The Planning Phase

It will be necessary to engage regional leaders in a deep coalition—a dynamic and organic social network—to form a regional vision, complete a plan that works toward this vision, and begin executing the plan. Communication efforts will therefore continue to be broad-based, but will focus primarily on matters of immediate importance to the Leadership Group in completing the plan.

Engaging a diverse group of regional leaders during planning can be challenging. Outreach will hinge upon the initial perception of who key partners are, how they can be involved,

and the resources needed. Partner development takes a significant commitment of time and effort. Working individually with partners to define how they can help may work better initially. Once partners are engaged, the Leadership Group is then brought together for strategic planning sessions.

During the larger planning process, a great deal of information will be collected, analyzed, and repurposed; much assessment will be done; there will be loads of interaction; and there will be multiple moving parts and dots to be connected. It is essential during this phase to communicate progress, proceedings, and decisions with community leaders, potential partners, and other key audiences. Following a communications plan will help the leadership team stay transparent and maintain interest and action by various members.

## C. The Implementation Phase

During the Implementation Phase, communications activities are formalized to support implementation of the regional development plan. Throughout, communications themes mostly revolve around specific initiatives, and utilize more formal communication vehicles, such as advertising, newsletters, public service announcements, and media events.

While communication activities will have different audiences and messages as the economic development process unfolds, efforts will always be focused on those who can best move the region forward at any particular point in time. However, the principles of communications remain the same regardless of the audience. Communications need to be relevant, timely, concise, and honest. Further, the frequency of communications should not be overlooked. Early and often is a good rule of thumb throughout this process, but especially in the beginning when engaging and maintaining support, ensuring transparency, and encouraging participation is most challenging.

The following section will help regional leaders identify the essential elements of a communications plan, appreciate keys to success, and understand the kinds and level of resources needed to fulfill communications requirements. It also looks at the roles of traditional media and social networking, and how to further segment audiences for success.

### III. The Communications Plan

#### A. Introduction

The communications plan outlines the tactics and messages needed to fuel an organization's performance. Alignment between the communications function and the collaborative's core mission will provide the best outcomes. No two communications plans will look exactly alike. However, there are at least five key sections essential to a comprehensive and manageable communications plan:

1. **Goals and Objectives** – The communications plan should identify goals and objectives specific to communications. Communications goals should focus outreach efforts and lead to measurable outcomes needed to build buy-in, support, or other identified objectives. Identifying what success looks like will help with measuring outcomes and evaluating the strength and versatility of the communications plan and activities.
2. **Audience Analysis** – Regional leaders must identify and prioritize audiences to understand their concerns, identify obstacles, and the core characteristics that make up each audience segment. No two audiences will have the same needs in terms of communications. When building an

audience analysis it is essential to be as specific as possible. Narrowing target groups down as far as possible may seem tedious but will be effective in helping the Leadership Group identify priorities and potential skeptics.

3. **Core Messages** – Messaging is ultimately the core product of the strategic communications planning process. Messages should be audience-specific and answer the all-important question, "What's in it for me?" Effective messages are memorable, connect to the big picture, and address big-picture concerns. Much of the work that is completed during the audience analysis will help inform this stage. Messaging and communications planning in general is often done with a group of knowledgeable stakeholders who come together to brainstorm.
4. **Strategies and Tactics** – Strategy is the plan to achieve a particular goal, e.g., partner development or "understanding the community's attitudes on a specific topic." Tactics are the communications vehicles or activities that will be used to disseminate messages. Leadership committees should look to combine tactics that have proven to be successful in other community initiatives with new ideas that may be effective based on specific audience needs.
5. **Work Plan** – Many communications activities require time and resources. When developing strategies and tactics, it is important to be aware of the resources available to accomplish activities. The work plan helps align time and other resources to the communications process. Many regions may find it helpful to phase communications strategies to manage time and other resources.

#### The Five Elements of a Communications Plan:

- Goals and Objectives;
- Audience Analysis;
- Core Messages;
- Strategies and Tactics; and
- Work Plan.

## B. Keys to Success – Avoiding Pitfalls

As with any undertaking, communications planning can be cumbersome and time-consuming. There are a few pitfalls to avoid in order to ensure success.

### 1. The “Field of Dreams” Myth

The famous quote from the 1989 movie, “If you build it, they will come,” does not apply to disseminating information. The most successful dissemination strategies are those that focus on reaching people where they already go. It’s important to understand how people in the region receive information. Consider the readership of newspapers or connecting with residents at a county fair or a highly-attended social function. Find champions in the community who can serve as the spokespersons for the initiative to garner support or excitement. One of the hardest things to do in communications is to develop a brand new medium—such as a newsletter or online community. It’s easier to evolve an existing website or use an existing newsletter or blog to promote messages. As part of the audience analysis process, take time to understand how stakeholders currently receive information. It will drive the tactics you select and help you reach more people with less effort.

### 2. Using Social Media as a Replacement Strategy

While social media usage is at an all-time high, how and why people use social media can change very quickly. Social media has value in the role of information dissemination and engagement. But social media should be considered an additional vehicle or tactic that can be used in connection with traditional outreach activities. Social media efforts such as a Facebook page, Twitter handle or YouTube channel should not exist on their own. Traditional press releases, face-to-face meetings, brochures, and websites are also very important tools in the arsenal.

One potential pitfall of social media is the need to keep the community alive and engaged through frequent updates. One option for community leaders is to leverage existing online communities within the region. If a partner, company, politician, or local blogger has an active social community, consider partnering with them to share the load. As the initiative matures and more information needs to be disseminated, an online community or various social

media tools may need to be deployed. If and when this happens, organizations should plan a content calendar of four to six weeks to keep information fresh and the community engaged.

### 3. No One Is Clearly in Charge of Communications and a Clearance Process

While development of the plan is a collaborative process, identifying a person to lead and coordinate communications is essential. Communications by committee can be burdensome and challenging. Communications leaders should be supported by various team members, including subject matter experts, but should have the final look at any messages that get disseminated. Additionally, it is important for the Leadership Group to identify a process for vetting materials and information. Documenting a clearance process will have long-term benefits, especially during peak communications times.

### 4. Confusing Supporting Facts and Messages

Our decision-making processes are increasingly data-driven, and data can be a critical aid in supporting a message. However, the message points and the data are separate items. Focus on the information you want the audience to know and why it’s important to them. Once that is defined, use data and statistics to reinforce the point. Ensure that all the information is presented clearly and concisely.

### 5. Lack of Flexibility

While communications planning is essential, there will be times when the need to communicate outside of what the plan calls for arises. A major event or crisis can occur. Communicating to stakeholders shouldn’t be delayed because of what may be written in the formal plan. Establishing the hierarchy of who can and should respond, and the process for clearing messages, will also help deal with an uncommon situation or occurrence. It is most important to be timely, concise, and accurate.

“ In order to be effective, use of social media must be planned in the context of the steps and processes of “tried-and-true” communications techniques. ”

### C. Social Networking Engagement: Emerging New Engagement Approaches

There is a lot of attention and perhaps, some might say, “hype” associated with emerging engagement approaches using some of the newer social media platforms. They can be valuable additions to a communication strategy, but the limitations of the approaches and the expectations of the outcomes should be appreciated.

#### 1. Social strategy is a combination of disseminating information (content) and engagement to ask for feedback and action

Social media can be an effective way to “alert” people to events of interest and create the sense of a dynamic and vibrant project or process. Most of the value is that it is a flash of news, and can help move people who are interested into mediums where more detailed information can be presented and engagement consummated. This approach requires using interesting and attention grabbing content and snippets.

#### 2. Develop conversation and use social media to foster online communities, and engage constituents and media

Practical experience suggests that the value of social media platforms, as they are currently used is that they can create a “buzz.” They represent ideal ways to continually put a story in front of people, keep the project in front of them, and create a sense of excitement, vitality, and momentum. They are very good mediums for rapid-fire information-gathering in a simple manner, or engaging virtual communities around “hot-button” items.

#### 3. Content developed for social media should be easily sharable, relevant, consistent, and easy to digest

Because of the rapid-fire nature of social media, the content should:

- Be simple and engaging—easy to digest with the key message in a few words;
- Lead people to more meaningful content, for those interested;
- Be timely—based in the moment, so that it imparts the sense people are getting up-to-date news flashes and information; and
- Be easy for people to connect with and react to in a simple and easy manner.

The overriding feature of most social media platforms is that they offer almost instant communication and are easy to share. The notion of information going “viral” is a phenomenon of these new platforms. While it is difficult to predict what will grab attention, a continual feed of timely, interesting, and consumable information shows real promise of building awareness and engaging the audience in more meaningful interaction.

### D. Creating a Brand

Many organizations may decide to develop a new brand or evolve an existing brand in order to move the region forward. A strong brand is more important than ever in economic development, as competition among regions intensifies. A region’s brand, and how it markets itself, can be a significant differentiation.

While some may consider a brand simply a logo, the reality is that branding requires a 360-degree look at the collaborative organization in order to be successful. A brand is the essence of everything that an organization says and does. A brand should act as the sum of a region’s behavior, its services or products, and how it wants to present itself. Often the first—and arguably the hardest—step for a regional leadership team is creating a name to call the collaborative.

## 1. What's in a Name: Naming the Regional Entity for Unification and Communications

Throughout the communications planning process, Leadership Group members will join to discuss key elements such as audience and messages. During those brainstorming sessions, it may also be worthwhile to explore naming the effort.

The first consideration is whether the region has an existing brand—an existing recognizable name—that could evolve to include the newly-formed Leadership Group. Those regions may begin by looking at what works in the name and identifying what may need to change. Sometimes, the change can be as simple as modifying the tagline or description; other times, it may include a redesigned logo or changing the words denoted by an acronym. Regional Leadership Groups that don't have an existing name to use should consider the time and resources necessary to create one, and when the time may be right to pursue a branding process. Since no two regions are the same, it is important to note that some groups may decide to do this early, while other groups may go with a less formal designation for their activities until more research and planning related to short- and long-term economic development is completed. In those cases, leaders may feel that their direction must be very clear before creating and marketing a brand.

Once a regional Leadership Group has committed to the branding process, it will be important to understand a few key points for success:

- Branding can and should be led by a combination of Leadership Group and members and marketing/graphic design professionals. Regional leadership should look for support from a local graphic design or marketing expert who can help guide the process.
- Hold a naming brainstorm session and consider bringing in members of the creative/marketing community to assist. Once ideas are collated, discuss positives and negatives to narrow the list to no more than three to five options.
- Remember that naming and design are subjective and no selection will have 100 percent agreement. Decide in advance how the group will make decisions.
- Make sure to check naming, acronyms, branding options with the U.S. Patent and Trademark office. An online database is searchable at <http://www.copyright.gov/records/>.

## 2. Adopting or Creating a Brand

Once a name has been selected, it will be time to develop the brand and brand assets, including logo, brand description, collateral materials, and any other elements necessary for the organization to operate effectively. The Leadership Group sub-team responsible for branding will want to follow a few useful tips to ensure that the process goes smoothly:

- Develop a creative brief that a design team will use to capture the essence of what the logo should represent. The creative brief should give background information on the project and goals; identify the audiences and key messages, express likes, dislikes and wants; and provide technical information for the designer. Spending time on the creative brief will minimize the number of rounds of revisions needed.
- Identify the process through which you will select and approve branding materials from logo to collateral. Establish a budget and timeline at the onset of the process. Working with a graphic designer or design firm, a clearly-defined budget and timeline will help keep the project manageable.
- Bring everyone together to look at initial logo concepts. After the designers develop their initial set of concepts, be sure to get the Leadership Group or decision-making group together to talk about what they like and dislike. Having a group discussion, either face-to-face or through webcast, will be better than individually meeting with key members.
- Bring branding into the communications plan. The branding strategy includes development of messages and key elements as discussed throughout the communications section. While logo is a big piece of the puzzle, dissemination of the brand and implementing the brand position will fall into the overall communications activities. It is important to plan for disseminating the new organization name and brand both with internal and external stakeholders.

Creating an effective brand and accompanying brand strategy will take at least two months. Organizations should work closely with marketing partners to minimize expense. Partners and/or stakeholders may be willing to donate graphic designer time from their in-house marketing group or through other means.



**Inside this section:** Foundational organizing principles and steps related to collecting and utilizing data, and forming the regional collaborative Leadership Group are covered here.

# Chapter 6

## Organize

The social network embodied in the regional Leadership Group must come together to ensure success. If leaders align, combine and raise resources to meet mutually-agreed upon regional adjustment goals, the region will thrive.

Organizing to create a plan for economic revitalization is an extensive process wherein numerous activities occur simultaneously. As discussed in the previous chapter, communication activities should be geared to the general public to explain what is happening; and additional activities should be geared to galvanizing leaders to organize for action. Simultaneous data-driven processes should unfold to determine the functional regional economy, as discussed in Chapter 3, as well as the creation of an Asset Map for the region.

This chapter defines the term “data-driven decision making.” Institutional researchers and/or consultants can define a functional economic area through data collection and analysis. Further, they can identify a multitude of assets in the region that might be leveraged to help revitalize the economy. But resolving the questions involved in finally defining the region, the Leadership Group’s mission and the future vision for the region ultimately come down to resolving the following issues:

- Define the Economic Region
- Map Regional Assets
- Form Regional Leadership Group
- Conduct a SWOT Analysis

**ORGANIZE**



The following “organizing” processes are discussed in this chapter:

- Defining the Economic Region;
- Mapping Regional Assets;
- Forming the regional Leadership Group; and
- Conducting a SWOT Analysis.

- To what extent do stakeholders understand and identify with a multi-jurisdictional regional identity?
- To what extent do stakeholders on-the-ground, with day-to-day knowledge of relationships and rapidly-occurring changes, agree with the conclusions formed through the data analysis?
- Which stakeholders, representing which jurisdictions, are willing—even anxious—to “play?” That is, which jurisdictions can be counted on to remain fully engaged in the regional planning process?
- To what extent are identified stakeholders willing to align their assets to reach consensus-based regional goals?

Completing these organizing tasks in an efficient, comprehensive and transparent manner—moving from information compilation to stakeholder understanding and discussion, to decision making—will form the foundation for creating a plan that all stakeholders will buy into, support throughout implementation, and continue to re-visit to ensure its ongoing viability in the face of changes in the environment as well as successes in implementation.

The following “organizing” processes are discussed in this chapter:

- Defining the Economic Region;
- Mapping Regional Assets;
- Forming the regional Leadership Group; and
- Conducting a SWOT Analysis.

## I. Define the Geographic Boundaries of the Regional Economy

Chapter 3 discussed the importance of defining regional boundaries around a functional economic area, whether that area captures workforce flows, trade flows or some other significant economic activity. In the end, the goal is to define a geography that represents the impacted area.

Two primary tools are available to assist in defining workforce flows and economic activity. Each one requires either institutionally-based expertise in data mapping or use of an outside consultant. In many cases, this expertise resides within one or more of the organizations that are primary partners in the Leadership Group. If so, use what you have! In other places leaders may find it more appropriate for an outside consultant to complete this task. This section provides an overview of tools and how they can be incorporated into identifying the region for planning and implementation purposes:

- **LEHD “OnTheMap:”** A free tool provided through U.S. Census Bureau, LEHD is, available at <http://ledextract.ces.census.gov/static/data.html> provides a comprehensive look at work and home characteristics, including commuting patterns, workforce flows, earnings and comparative analysis.
- **Input-Output Modeling (IO):** A tool that calculates the demand and local supply (e.g. regional purchase coefficients) of regional industries. IO requires access to any number of useful databases, and may be more efficiently carried out by a consultant with such access.

Each of these techniques is described in some detail in the Appendix for Chapter 6, under “Defining the Economic Region: LEHD and Input-Output Modeling.”

Qualitative components should also be considered in identifying a region. The functional economic area cannot be finalized before consulting with the region’s leaders, asking for their input, and gaining their consent. For example, Kentucky needed to formulate boundaries of its functional economic regions in early 2011 in order to develop sector-based workforce strategies. Most regions did not align perfectly with designated development and planning districts and several regions had strong economic ties to areas outside Kentucky, such as Southwestern Indiana, Cincinnati, and West Virginia. Through discussion and additional research, leadership decided that several regions corresponding to existing development and



“ Completing these organizational tasks in an efficient, comprehensive and transparent manner will transform stakeholders into regional stockholders. ”

## Barstow, Calif., Recovers from Twin Layoffs

**SITUATION:** In anticipation of an upcoming round of Base Realignment and Closure (BRAC) in 2005, the City of Barstow, California, requested assistance from the Office of Economic Adjustment (OEA) through the Advance Planning program. At the time, Marine Corps Logistics Base (MCLB) Barstow and Fort Irwin National Training Center (NTC) had a significant impact on the local economy. Active duty military and Department of Defense civilian employment at MCLB Barstow was estimated at 1,436 personnel, which reflected approximately 12% of the wage and salary employment in Barstow. Significant contract employment at MCLB Barstow and DoD personnel working at Fort Irwin (but living 35 miles away in Barstow) added to the economic impact of DoD employment in the region.

**SOLUTION:** The Barstow community hoped to reduce its dependency on Defense spending by providing an overall economic development strategy, an implementation plan for economic diversification, and the tools necessary to pursue the diversification strategy. With technical and financial assistance from OEA, the City of Barstow pursued economic diversification through two primary projects: a Market Analysis/Economic Diversification Strategy and a Retail Leakage Study, including a commuter/tourist/traveler study. The study, which was managed by the city's Director of Economic Development, did not include any reference to base reuse plans; rather, the economic diversification activities addressed the community's significant dependency on Defense spending independent of the upcoming 2005 BRAC announcement.

Over 12 months, with consultant support, the City of Barstow:

- Identified its competitive advantages for business location through a market analysis;
- Identified industries whose location, properties, and workforce were best suited to Barstow;
- Researched trends and critical issues affecting those industry sectors; and
- Developed tools and resources to assist the City in promoting itself to those identified industries.

Through a second contract, the City and its consultant prepared a Retail Demand Analysis that evaluated resident, tourist and day-visitor demand and identified future supportable development levels.

**OUTCOMES:** While the 2005 BRAC announcement ultimately left MCLB Barstow relatively unaffected, the City of Barstow reported that the products of the planning effort were extremely valuable to the community and would be useful for the City's efforts to diversify its economy and reduce dependency on Defense spending.



planning districts satisfactorily met the criteria to be considered a functional economic area. In practice, this allowed the cohesiveness and synergy already developed in some of the planning areas to remain intact. In effect, the proper use of data will give “the right answers;” but the “right answers” are not always the ones that a region should accept if it is looking for its most productive path.

Another consideration would be to include stakeholders from outside of the area to help define the regional boundaries that will be used in the planning process. Regions can also encompass those interested parties that want to be involved in the planning, investment and implementation process, and the assets thereby represented can become part of the network leading toward economic diversification and prosperity. For example, a capital investment or angel investment firm located outside the region may wish to be part of the region’s development. It would certainly be worthwhile to consider these individuals as stakeholders or even partners in the planning process, regardless of their geographic location.

## II. Map Regional Assets

An asset map is simply a list of the agencies, organizations, infrastructure, and programs a region has at its disposal to address the impacts of an economic setback. They provide a wealth of information about a region’s strengths and resources that can assist in creating a foundation for solutions to economic development and diversification challenges. The asset map is an inventory of the “toolkit” the region will use to address the problem.

At its core, an asset map provides guidance to a region’s leadership and decision makers about ways to strengthen its competitive position in a global economy, through identification of resources that the region can leverage to support development initiatives. Asset maps can also become a catalyst for partnership among various leadership and regional stakeholders.

Asset maps can take many forms and can be very simple or very comprehensive, depending on the goals and needs of the region. Typically asset maps provide a baseline of data and information of a regional economy, its workforce, education and innovative assets, as well as any other tangible assets that can

be leveraged for development (e.g., research parks, technology, companies, faith-based organizations, etc.), or considered when undertaking planning initiatives. The information provided in an asset map also creates a common foundation of knowledge among all stakeholders and decision-makers.

Asset maps can and should inform areas of opportunity for development. Some specific components may include:

- Industry jobs and earnings;
- Occupational profiles (employment and growth by occupation);
- Financial capital;
- Human capital;
- Education institutions;
- Research and development institutions;
- Infrastructure (rail, road, airport and multi-modal facilities, high-speed internet, etc.);
- Quality of life indicators; and
- Major businesses and other categorical assets.

See the Appendix for Chapter 6 for a link to a list of possible metrics that could align with regional economic values.

Once these assets are identified, the subsequent task of identifying the connectivity and network between these assets becomes a critical step, and the main focus of all subsequent planning efforts. For example, a new technology developed at a higher education research institution may further the world's intellectual knowledge; however, the transformation of the technology into viable new products and services is achieved through a network of financing, business and workforce development and related partnerships. To this end, understanding the formal and informal linkages between regional assets is critical to developing a comprehensive understanding of the regional economic environment.

Please see the "References" section for a listing of asset mapping guides, tools and databases that are available online for use in developing a regional asset map.

Asset maps by their nature can be lengthy, and even relatively simple asset maps can reach more than 50 pages. The following list provides a sense of the kinds of information and analysis that an asset map should illustrate. See the Appendix for Chapter 6 "Asset Map Dataset Examples" for some data sets.

- **Industry Analysis** – Analysis of industry characteristics is one of the many cornerstones of an asset map. The types of questions to address within the industry analysis of an asset map include:
  - » Are our industries projected to grow?
  - » Which industries may have a comparative or competitive advantage within the region?
  - » Which industries add significant value to the region?
  - » Are there geographic pockets of concentration or growth within the region?

Similar analysis should also be completed for occupations.

- **Demographic Analysis** – Many different approaches can be used to analyze a region's population. Critical analysis components should at least include:
  - » Population by gender, ethnicity and age group;
  - » Projected population change; and
  - » Education attainment.

Other components can also include population earnings and earnings by age group, gender and/or education attainment.

- **Education Analysis** – Also critical to an asset map is measuring the current output of education and talent within the region and answering some key questions, such as:
  - » Are there specific focuses of education programs within the area?
  - » Which institutions are contributing toward the region's skilled workforce base?
  - » Does the region have adequate availability of differing degree types across programs (Associate's, Bachelor's, Master's, PhDs, etc.)?
- **Environment Analysis** – A common component of an asset map also focuses on quality of place and quality of life. To this end, analyses of environmental factors are helpful in describing the region's environmental and socioeconomic health. Components to include in this analysis can range from air/water quality indices to cost of living indices and recreational amenities.

### III. Form the Regional Leadership Group

#### A. LG Representation and Roles

We introduced the overarching role and the makeup of the Leadership Group in Chapter 4 because the LG is the driver of all planning and implementation activity. In this Chapter, we discuss the constituent parts of the LG and their relationship to each other.

In a very real sense, the Leadership Group represents the assets identified in the data process described above, and, as such, is a critical foundation for diversifying, growing, and sustaining a regional economy. Only by first engaging the parties that represent critical regional assets can the region craft a shared vision for the future and reach consensus on a plan to achieve that future. Leadership Group representation should be both broad—that is, reflective of all regional partners and regional assets—and deep—meaning that it should reflect leaders from various “levels” of participating partner organizations and entities.

The Leadership Group plays several critical and interconnected roles:

- Provides regionally-focused leadership and guidance that transcends “turf” and agency/organization “silos,” finding a common, unifying theme and focus;
- Identifies innovative solutions that leverage regional strengths, mitigate regional weaknesses/limitations, and provide the foundation for investment in plan implementation;
- Contributes resources, financial and otherwise, to support implementation of planned economic adjustment strategies and activities;
- Enhances the strength and reach of the Leadership Group by tapping individual networks for expanded partner recruitment and engagement; and
- Provides vocal and visible championship for the regional economic adjustment effort.

#### B. LG Development and Expansion

In developing the Leadership Group, regions often consider the size and structure that will best fit the regional culture and support the attainment of desired goals and objectives. Broad outreach and recruitment is important; regions should cast a wide net to engage as many regional leaders as possible. Moving forward, some regional areas find that a large and very representative group best suits their needs, while others find that a more concentrated and perhaps more recognized Leadership Group is more effective.

Whatever the LG size, most regions have opted to develop a steering or executive committee and then several subject area specific sub-teams to tackle specific elements of planning or implementation. (The specific elements would be determined as outgrowths of the visioning process.) To be successful, regional leadership must remain flexible and open to changing and adding to the group as situations and needs change.

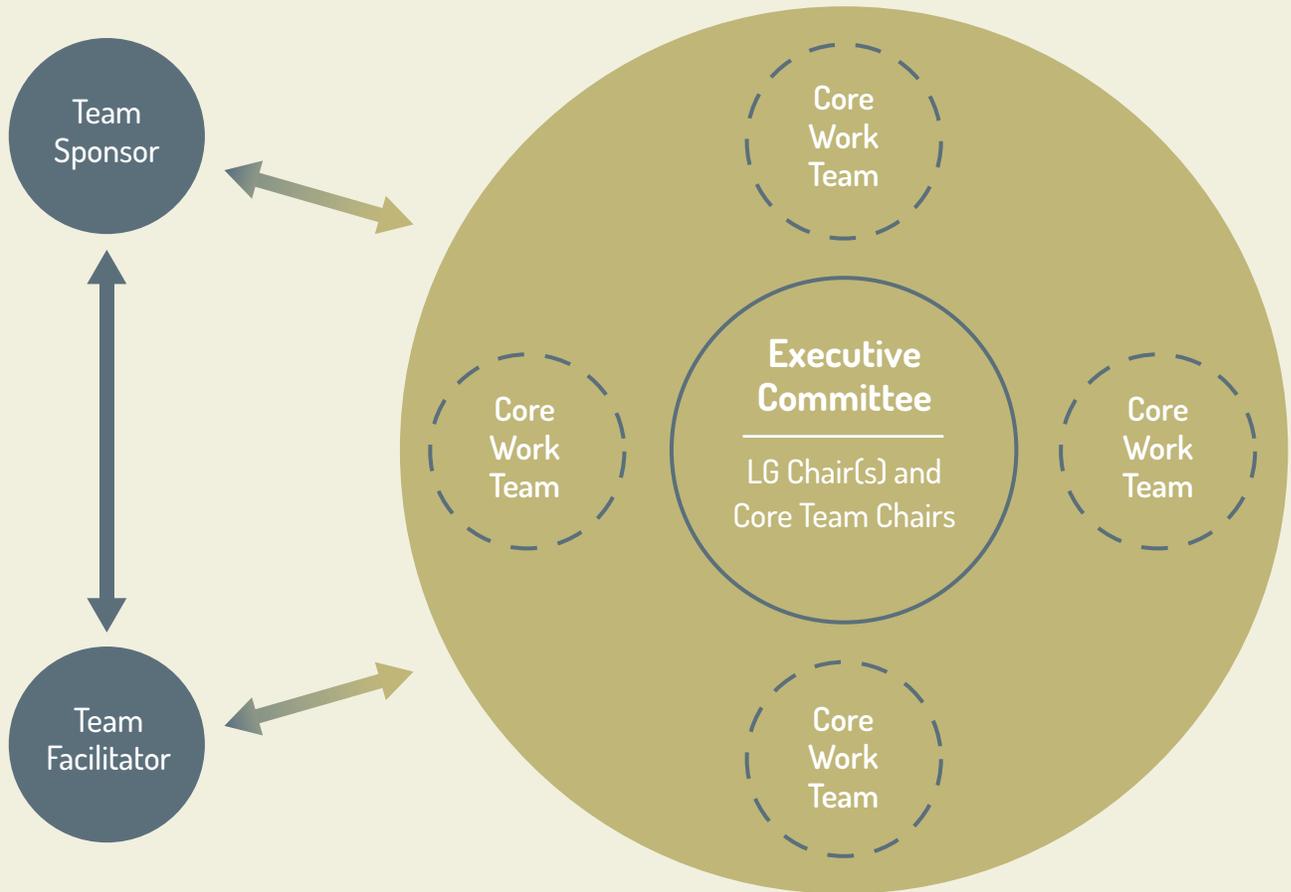
Very large Leadership Groups often fluctuate in member engagement, whereas having a smaller and possibly more focused LG can help side-step this challenge. The primary criterion should be to ensure that the LG has sufficient regional asset representation. However regions choose to configure their leadership teams, it is critical that members understand the expectation for sustained commitment and consistent engagement.

The Leadership Group should include representatives of the following types of organizations, and should also fairly represent the different political jurisdictions in the region:

- A cross-section of the region’s businesses, especially those from focus industries
- Area’s colleges and universities
- K-12 Education
- Venture capital firms
- Entrepreneurs and innovators
- Workforce Development agencies
- Economic development agencies
- Government and political leaders
- Private foundations
- Appropriate Community/Faith-Based Organizations.

Figure 6-1:  
Typical Project  
Organization

## Leadership Group (LG) and Core Work Teams



The graphic above represents a typical project organization when a region engages in an extensive regional revitalization project. Each Core Team works on one or more of the LG’s longer-term goals, and consists of the appropriate LG members. An Executive Committee of the full LG is formed, as shown in the inner circle. A Team Charter, discussed in section D, below, codifies the organization and roles of each of the players represented on the above graphic.

It is certainly not necessary for a region to utilize this particular organization, but any structure developed should include the following key items:

- Project mission
- Regional vision
- Project organization, and the roles for each element
- Deliverables
- Timeline/Milestones.

Leadership Group members may volunteer to serve on the Leadership Group, or they may be nominated to serve through a somewhat more formal recommendation process. Existing leaders can enhance Leadership Group development through actively recruiting additional leaders from their own professional and personal relationships.

Many regions find that initiating a social network mapping process, through which regional leaders’ networks—their connections to other leaders—are formally identified and then mapped, to be a very productive way not only to establish the regional Leadership Group, but also to expand it over time. As the economic adjustment effort gains traction and momentum, regular social network mapping and analysis provides a means to expand leaders’ engagement, and, very importantly, to link previously-uncovered regional assets.

## C. Social Network Mapping

In essence, one might define the entire process of planning and implementing economic revitalization strategies as an extended exercise in social networking. The process of connecting assets represented by individuals and expanding the network to include additional assets needed to implement an initiative in the plan, is certainly enhanced through development of a dynamic social network, as gathered formally in the Leadership Group. While social network mapping looks like a “nice to have” item, it is actually critical to getting all the right players to the table at the beginning of the planning process.

Network mapping is an invaluable tool for enhancing the linkages that bring together people from different communities, different types of organizations, and different interest groups throughout the region. Network maps show which individuals,

organizations, and communities need to be linked for development of a sustainable plan for the future, and identify opinion leaders, potential human resources, networking mentors, and the connections that need to be expanded and enhanced for success and longevity.

Please see the References section for a link to a social network mapping report.

## D. The Team Charter: Embodying the Regional Vision and Economic Adjustment Process

A team charter can be a useful tool for clearly outlining the roles and responsibilities of the Leadership Group, as well as other sub-teams or sub-groups supporting the regional economic adjustment effort. A team charter typically describes the regional vision and project mission; the relationships among the various groups and teams supporting the effort, as well as their respective roles and responsibilities; the decision making process, key project deliverables; and a project schedule, with associated milestones. (See “References” section for an example of a Project Charter.)

Adoption of a team charter provides a mechanism for ensuring that expectations are clear, that all participating members are fully bought-in to the process, and that there is a formal method for ensuring accountability for desired outcomes.

## IV. SWOT Analysis

One of the Leadership Group’s key tasks in the organizing phase is to conduct a comprehensive SWOT analysis—an assessment of the region’s strengths, weaknesses, opportunities, and threats—in order to provide additional information to feed development of the vision for the region’s future. A SWOT analysis is used to identify the internal and external factors either favorable or unfavorable to development and revitalization. This analysis should include critical regional data—such as that in the asset map—as well as regional partners’ knowledge, information, and understanding of the region. The purpose of conducting a SWOT analysis is to create a holistic picture of the region in terms of positive and negative attributes and trends, and to then use this picture to guide the development of the regional vision and prioritization of implementation plan strategies and action steps for economic and workforce diversification and growth.

Figure 6-2: SWOT Analysis



SWOT analysis elements are commonly understood in the following terms:

- Strengths are a region's relative competitive advantages (e.g., extensive port and rail assets), and are often internal in nature;
- Weaknesses are a region's relative competitive disadvantages (e.g., a risk-averse or change-resistant regional culture), also often internal in nature;
- Opportunities are chances or occasions for regional improvement or progress (e.g., expansion of a biosciences research lab in the region), often external in nature; and
- Threats are chances or occasions for negative impacts on the region or regional decline (e.g., several companies in the region considering moving to lower-cost areas of the state), also often external in nature.

When conducting a SWOT analysis, regional partners should be expansive and inclusive, assessing a wide variety of regional attributes and dynamics, such as:

- Current and anticipated workforce health (availability, demographic diversity, skill sets relative to regional employers' needs, etc.);
- Educational institutions (quantity, balance of two-year and four-year institutions, diversity and relevance of offerings, etc.);
- Diversity of industries and of employers in those industries ;
- Educational attainment and output levels;
- Business climate attributes (regulatory and tax environment; available business development, retention, and expansion supports);
- Physical infrastructure (transportation assets, available facilities, utilities, etc.);
- Technology infrastructure (broadband, telecommunications, etc.);
- Regional culture (degree of entrepreneurial spirit, willingness to embrace change, support for growing new leaders, commitment to partnership and collaboration);
- Natural/environmental assets;
- Resource availability (funding resources, available capital, etc.);
- Support for small businesses and entrepreneurs;
- Research and development assets; and
- Quality of life attributes.

In reviewing SWOT analysis output, regional stakeholders fully consider how they can leverage their advantages and mitigate their risks. For instance, how can regional strengths be harnessed to take advantage of new opportunities? How can regional weaknesses be remedied to minimize vulnerability to threats? The answers to these questions help regional partners shape and hone the strategies and activities required to achieve their vision, and enable them to phase priorities for action in the short, intermediate, and long term.

It is important to emphasize that conducting a SWOT analysis is not a "one-time" exercise. Rather, regional partners should periodically revisit the SWOT analysis and update it to reflect evolving conditions, opportunities, objectives, and priorities over time. As important, new SWOT analysis elements identified over time should be used as new "intelligence" for review and updating of regional implementation plan strategies and activities to ensure the ongoing relevance of the plan.

**The organizational phase sets the stage for developing a cohesive short and long-term workforce and economic development plan. These key organizational steps are necessary to build a strong foundation for planning:**

- Define the geographical boundaries of the affected regional economy;
- Develop a strong Leadership Group structure and a collaborative, regionally-based culture; and
- Produce a comprehensive asset map and SWOT Analysis.



**Inside this section:** Includes all the “meat and potatoes” of regional planning from visioning through establishing goals and strategies, including the interrelationship of short and longer-term planning.

# Chapter 7

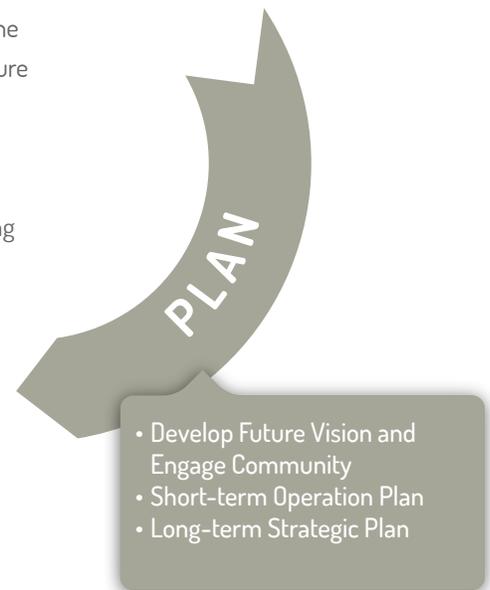
## Plan

Regional leaders’ ability to think outside the box and create a vision that recognizes a region’s legacy but also the need to succeed in a rapidly evolving global and regional environment; the commitment and resourcefulness of leaders; and the inclusiveness with which the plan is put together all go a long way to determining its success.

This chapter is the longest in the Guide because it is clearly where the rubber meets the road. It takes you all the way through plan creation, from envisioning a prosperous future to establishing metrics for measuring success in achieving plan goals and objectives. As stated earlier, the planning process is never neat. New people, new resources, new conditions and new ideas are always emerging. This is why it is necessary for a plan facilitator to emerge (or be designated or hired). To keep everyone on track and coming “back to where you were” when interruptions, positive or not, occur.

Though never neat, the following basic order of things needs to be observed, as presented in this chapter:

- Developing the future vision and using it to shape goals, strategies, and action planning;
- Creating a shorter-term plan for assistance to workers and business; and
- Creating a longer-term strategic plan to revitalize the economy, including a non-exhaustive list of choices of strategic approaches to economic revitalization.





One overarching feature of a successful transformation effort is the Leadership Group's ability to create a shared vision and mission statement.

## I. The Mission and Vision

One overarching feature of a successful transformation effort is the Leadership Group's ability to create a shared vision and mission statement. A "vision" can be best described as an aspirational future. It should include description at multiple levels (for example economic, environmental, and societal). The depth and breadth of the vision statement will largely be determined by the nature and intention of the overall planning process.

A "mission" is the specific role that a group or organization, in this case the Regional LG, has in fulfilling the vision. It is by nature more targeted, and tends to deal with a specific element of that group's role in achieving the vision. It will often define clear short and medium-term outcomes. In our context, the mission will likely be stated as some version of "developing long and short-term plans for economic revitalization."

### A. Building a Consensus-Based Vision to Unify the Leadership Group around Common Goals

Building a consensus-based vision is a process that should be flexible and adaptive. Ultimately it is important to understand that a vision is a tool that can help produce specific outcomes. The nature of the situation locally should ultimately dictate the design of the visioning process and its application.

The ideal level of consensus building required in a visioning process is determined by several key factors:

- Purpose and intended outcome of the visioning process;
- Ultimate scale and scope of the intended vision;
- Number of groups and people involved in the process; and
- Timeframes and relative degree of urgency.

Applying a visioning process in a regional context is one of the more complex situations encountered when collaborating on a major project. In fact, the challenges involved in the visioning process are quite similar to the overall challenges to collaboration, including:

- A regional community is often comprised of a large population base—often in excess of 100,000 people, making it more difficult for people to individually connect to the vision;
- There is often not a single compelling reason, or authority, for groups and stakeholders to collaborate and find common ground;

- High levels of diversity within the strata of demographics, community and neighborhoods, industries and stakeholder groups; and
- Differing aspirations and desires from various parts of the regional "fabric" and citizenry.

Because of this complexity, it is important to be very clear about the desired outcomes and purpose of the process, and then design a visioning process that is both powerful and makes efficient use of the resources allocated to this component of a regional planning endeavor.

### B. Key Principles to Shaping a Shared Vision

While the specific visioning process needs to be designed and defined by the unique situation and intended outcomes, some key principles cut across most successful regional processes. These include:

- **Aspirational in Nature** – A vision should be aspirational. It describes a preferred future and should avoid "fixing a problem" thinking.
- **Future-Focused** – It is assumed that the articulated vision will be achieved at some defined point in the future. Typically regional visioning processes work on a 10–20 year future vision. In some situations a 5–10 year timeframe is appropriate, such as in response to a more compelling crisis or economic upheaval.
- **Inclusive Process** – Any successful visioning process will, by its nature, be inclusive. It will aim to include the views and input of numerous stakeholders, groups and perspectives.
- **Exploratory and Holistic** – Visioning with a diverse group is ultimately an exploration to find common ground. It will be holistic in nature, in that it should consider the variables associated with the "triple bottom line" (economy, society and environment). This ensures that a more total view of the future is built, which can reflect the desires of various groups and interests.
- **Action-Orientated** – While a vision does not deal specifically with immediate action steps, it should be compelling and inspire action.

Overall, visioning needs to be integrated in a meaningful way in any medium or long-term regional planning process. The vision should reflect the desires and future thinking of the stakeholders and should guide the subsequent strategic and action planning steps.

### C. Common Approaches – Pros and Cons

Numerous methods are used in visioning processes, each with its own strengths and weaknesses depending on the context. Designing the right process to suit the specific need is critical to achieving the best outcome. A simplified table is referenced in the Appendix, which compares some different intensity levels of approaches and their application. The item in the Chapter 7 Appendix entitled “Approaches to and Examples of Three Common Visioning Approaches” provides a detailed chart and discussion of visioning approaches and real-life samples.

### D. Relationship of a Consensus-Based Vision to Goals and Strategies

A consensus-based visioning process demands a fully engaged regional conversation about the future. It also aims to stimulate innovation and funnel people into meaningful and collaborative action. Through an engaged, collaborative approach:

- Commonly identified collective visions result in an increased likelihood of stakeholders acting on the findings;
- Multiple participants with diverse views acknowledge that there is no “right” or “objective” interpretation. Rather, stakeholders work together to achieve a common vision; and
- This collaborative approach offers the opportunity for a wide-range of groups to bring their interests and concerns to the attention of those who have the influence to foster change, and allows them to find partners with whom they can collaborate on actions.

In this way, goals and strategies can be identified and implemented by various stakeholders, contributing to the overall progress and momentum at a regional level. Goals and strategies are best defined at two levels:

- **Broad Goals and Strategies** – Generally these are longer-term goals collectively defined by the LG. They will identify larger systemic changes that need to happen within a region to achieve the vision—for example to realign the economy from “sunset” industry to an emerging “new-economy”

opportunity. They may also address issues of generic interest in capacity building such as development of new leadership, workforce training and realignment.

- **Specific Goals and Strategies** – These are typically shorter-term goals and strategies that can be accomplished by smaller consortiums of groups and are highly targeted in their nature. Establishing a displaced worker training program or an industry recruitment strategy are examples of such strategies. These types of goals can typically be accomplished quickly and by application of immediate resources available.

Both types of goals and strategies should have a direct and clear connection to the longer-term vision. The shorter-term specific goals will help address the immediate issues and challenges. They will also demonstrate to the public that direct and meaningful action is being taken now. Achieving a balance and connections between the broad and specific goals and strategies is important. The longer term broader goals are likely to build the foundation for long-term regional resilience, and will ultimately reshape the future of the region. So, while a region’s short-term goal might be reemployment of adversely affected defense industry workers, if those workers are up-skilled for employment in emerging regional focus industries, their reemployment helps to build a more resilient and aligned workforce for the future.

In periods of economic turmoil, public pressure will invariably drive attention to shorter-term, “fix the problem” types of goals. While this is important and immediate response is often required, it is important to not lose the opportunity to begin the process of the important longer-term systemic change that will truly reshape the region’s future.

Most local economic crises are a result of larger, longer-term external trends, and this is surely the case with Defense-related adjustment. These trends, and their implications, need to be carefully examined and understood, as they will invariably have an impact on remaining sectors of the economy and the workforce over an extended period of time. This makes the case for community-based processes more compelling, as the adjustment to change, and the exploitation of new opportunities, will require shifts in traditional thinking and behaviors, all of which need to occur at a broad community-based level.

“...visioning should reflect the desires and future thinking of the stakeholders and should guide the subsequent strategic and action planning steps.”



## Louisiana Comes Together

**SITUATION:** In 2010, the Department of the Navy altered its 30-year shipbuilding plan, causing Northrup Grumman to reevaluate the business case for its Avondale Shipyard in Westwego, Louisiana. Ultimately, the company opted to close the yard and to spin off its Louisiana business. The closure of this major naval shipyard was projected to directly affect over 4,000 jobs with undetermined ripple effects throughout the economy. The new parent company, Huntington-Ingalls Industries (HII) opted to continue with Northrup Grumman's original plan to close the yard unless a joint venture partner could be found. This blow came as the region was still struggling to replace jobs lost due to the impact of Hurricane Katrina as well as the reduction in regional economic activity due to the Deepwater Horizon oil spill which continued from April to July 2010.

**SOLUTION:** In August 2010, Louisiana Economic Development (LED) approached OEA for assistance in determining re-use options for the Avondale facility if HII were not able to find a joint-venture partner.

From September 2010 to January 2011, LED undertook a comprehensive outreach and network development process which ensured that key local stakeholders would have input to the process. Marshalling key leaders from the political, economic development, labor, workforce development, education, business, and financial sectors, the LED team developed a broad consensus-based vision for the future of the Avondale facility. Developing this initial vision required detailed data, so the

Leadership Group issued a Request for Proposals for consulting support to help them develop a plan to keep the facility operating. The selected consulting firm began a 16-week analysis to:

- Develop case studies of large shipyards that successfully transitioned from exclusively major shipbuilding programs to new, productive uses. The case studies identified best practices in facility ownership, governance options and transition plans.
- Complete a comprehensive assessment of the Avondale facility and workforce, including identification of its capabilities and deficiencies, in order to prepare the site for successful reuse.
- Consider current and anticipated industry trends, as well as development options for utilizing Avondale workers who could not remain productively employed at the Avondale site.
- Develop a high-level feasibility/re-use plan and timeline for all options identified during the analysis phase.
- The consultant was also required to identify “quick win” opportunities by the shipbuilder, federal government, state government and/or local stakeholders, which could best enable each potential opportunity.

**OUTCOMES:** The data in the resulting report was so promising that it prompted the State of Louisiana to offer \$214 million in incentives to Huntington-Ingalls should it be able to find a partner for a joint venture to keep Avondale open. The initial effort by LED to build a stakeholder network paid dividends not only in the case of Avondale, but also through better communication and alignment of development efforts in other areas, and has set the stage for the renewal of the Avondale yards in the future.

## E. How to Use a Vision and Mission to Shape Goals, Strategies, and Action Planning

The overall long-term vision and mission is used to provide the context for the more immediate term goals, strategies and action planning.

### 1. Extracting Goals and Action Steps from a Vision and Mission

The process of extracting goals and action steps is relatively straightforward. A well-developed visioning process will define clear pathways to a future. The gap between the current reality and the aspirational future should define immediate and longer-term actions. A reliable process includes:

- Examining the vision and what it compels in comparison to the current reality and trends;
- Identifying the key forces and systems internally within the region that will drive the region towards or away from the conditions defined in the vision (SWOT Analysis);
- Identifying what needs to change within the region to be able to achieve the vision;
- Identifying indicators that would signal movement towards or away from the preferred vision; and
- Identifying the actions that will begin to create progress in key areas.

This process is easy for people to grasp, and regional communities have demonstrated an aptitude for undertaking effective action planning in the context of a regional vision. People can become impatient for action and results, though. A longer-term vision, by its nature, will take time and persistence to achieve. Being able to demonstrate and identify progress toward the fulfillment of the regional vision is important.

### 2. Building and Maintaining a Cohesive Plan

Sustaining enduring action over time can be a major challenge. Once the immediate pressure of a crisis passes, or the excitement of a visioning and planning process passes, people can lose enthusiasm and attention to the work required. Some ways to build longer-term involvement include:

- Create a group that maintains responsibility for the vision and progress toward its realization;
- Encourage key stakeholder groups to incorporate the vision, or specific elements of the vision, in their own operational vision and plans. This helps to institutionalize the vision and the work over time; and

- Develop effective communication processes with the public that “keep the vision alive” and inform people of progress, and opportunities to participate.

Additional aspects of creating and building the plan, as well as sustaining momentum and achieving success in implementation, are dealt with in the remaining portions of this Guide.

## F. Community Engagement in the Mission and Vision

Within reasonable boundaries, it is true that to the extent people are kept informed and offered an opportunity to provide input that is listened to, civic initiatives will have the support of the general public. Further, societal shifts in the last two decades highlight a new focus on the importance of community engagement. Across the world, citizens are demanding to be part of inclusive decision making at the national and regional level. This is being driven in part by the emergence of social media tools and instant feedback systems.

This notion is discussed in Chapter 5, but is taken a number of steps further in the Appendix entitled “Community Engagement – Building Participation and Consensus.”

## II. Short-Term Operational Reemployment and Business Assistance Plan

### A. Immediate Worker Reemployment Planning in the Defense Industry Context

In workforce dislocation situations, an area of immediate focus is addressing any re-skilling needs of affected workers and ensuring that they are reemployed within the region as quickly as possible. To meet these objectives, the partners involved in worker reemployment—particularly the public workforce system and education and training institutions—need to be prepared to work in new ways. For example, the defense industry workforce tends to be very well-trained and highly-skilled, with sought-after credentials and clearances, while the public workforce system is frequently more accustomed to working with lower-skilled workers. Different worker populations may require distinct and more customized services and resources than workforce development and education partners typically provide.

As important, reemployment partners must be prepared to work with impacted defense employers in new ways. In a defense dislocation, workforce and education partners will need to coordinate their efforts with both government and contractor executives, as well as human resources representatives and union representatives, as applicable. Employer engagement is typically a more sustained effort in this context, as worker layoffs may be phased over a lengthy period of time, requiring partnerships and consultation that extend beyond those typically required in a mass layoff situation where workers are dislocated all at once. In addition, workforce system and education and training partners must understand impacted employers' interest in retaining workers, and ensuring their productivity throughout the completion of the mission. Reemployment partners must be sensitive to this interest, and work collaboratively with employers to conduct outreach to affected workers in ways that simultaneously obtain necessary information about workers' plans, needs, and interests, while respecting employers' potential confidentiality concerns and mission completion imperatives.

It is essential that workforce and education partners be able to demonstrate agility, flexibility, and the capacity for creating tailored and responsive reemployment solutions for impacted workers, as well as customized and relevant business transition support for impacted defense employers. The goal is to provide a seamless and customer-focused suite of services to workers and business driven by customers' needs, and not limited by program or funding stream requirements or constraints.

### 1. Creating a Reemployment Plan for the Impacted Workforce

It is critical that workforce development and education partners engage with impacted defense employers as early as possible to gain a clear understanding of planned workforce adjustments and their impact on workers. Partners need to understand how many workers will be laid off; the timing and phasing of layoffs; and workers' specific occupations, skill sets, and credentials. Partners will also want to determine what options have been offered to the impacted workforce, such as retention bonuses, severance packages, and offers to retain employment by moving to new defense installations. This information, combined with that obtained from workers themselves, should be used to develop individual reemployment plans for affected workers.

Workforce development and education providers should partner with defense employers to determine the most appropriate and effective way to connect with workers to identify their reemployment interests, needs, and plans. Defense employers may be able to provide time and space at the worksite for group meetings with impacted workers, and can also be instrumental in helping to distribute information about available programs and services. Offering a web-based survey to workers can be a very efficient and helpful way to gather individual worker's needs as well as aggregate workforce needs, and employers can assist in communicating with their employees about the survey. If feasible—particularly if the nearest Career Center is not located near the employment site—workforce development and education partners should consider establishing a temporary career transition center onsite at the installation in order to ensure convenient and accessible assistance for workers.

In terms of developing individual reemployment plans for workers, workforce development partners should provide one-on-one career counseling and coaching. While some workers may wish to avail themselves of self-service career resources, all should be given the opportunity for personalized support. Particular services that should be offered to affected workers include:

- In-depth assessment of workers' skills, aptitudes, and interests;
- Resume development and enhancement assistance;
- Job search and application assistance;
- Job search-related labor market, economic, and industry information;
- Career exploration and coaching support; and
- Access to education and training programs, including any needed financial aid assistance, ideally for careers in the region's priority industry sectors.

It is worth noting that creating a comprehensive and customized portfolio of reemployment services and resources for impacted defense workers may require all involved partners to be particularly resourceful in terms of identifying available

funding, particularly in the current budget environment. Workforce development partners, in particular, may need to look beyond “traditional” Workforce Investment Act and Wagner–Peysner funding in order to identify additional resources for worker retraining and reemployment, such as National Emergency Grants and other sources. This underscores the need for the workforce development system to partner closely with a wide–variety of education, training, and community partners.

Throughout the worker service delivery process, all partners must be committed to accountability and continuous improvement. Partners must track and regularly analyze workers’ reemployment, job retention, and earnings outcomes, and should actively solicit workers’ feedback on service delivery process and value. Outcome data and customer feedback should be used to continually assess the quality and results of reemployment services and to make adjustments and enhancements as necessary.

## 2. Connecting Reemployment Planning to Regional Economic Diversification Efforts

In order to ensure that worker reemployment efforts connect to and advance broader economic transition efforts, it is important to map information about impacted workers’ occupations and skill sets against high–demand occupations and skill sets in the region’s targeted industries. This not only helps transition workers more quickly and seamlessly into new occupations, but also enables partners to identify gaps and mismatches between existing workforce capacity and the workforce capacity of high–priority industries.

Similarly, partners should analyze existing educational/training output for high–demand occupations in targeted industries to determine if output is aligned with and meeting the demands of employers in those industries. If gaps are identified, regional partners can then adjust existing education/training programs, develop new programs as needed and more effectively guide workers to programs for in–demand occupations. (Please see the “Appendix” for a report on a region’s “Workforce Assessment and Industry Analysis” that [a] ties short and long–term plan objectives together, and [b] fully examines the education gap discussed here.) [http://www.sgiregion.com/uploads/page\\_uploads/SE\\_Arkansas\\_Workforce\\_Assessment\\_and\\_Industry\\_Analysis\\_20100714.pdf](http://www.sgiregion.com/uploads/page_uploads/SE_Arkansas_Workforce_Assessment_and_Industry_Analysis_20100714.pdf)

## B. Immediate Assistance to Business: Business Support Tools

When a major defense contract is cancelled or reduced in size, the ripple effects on contractors and their suppliers can be profound. Prime contractors may be forced to close facilities, downsize their workforce and re–engineer their operations. The effects on smaller subcontractors and suppliers can be even more profound. A wide–range of firms—from direct suppliers (such as machine shops that supply a prime contractor) to a host of service and support firms ranging from janitorial services to security guards to food suppliers can be effected.

While all of these companies may feel the pain when major projects are completed or cancelled, their ability to respond differs greatly. Large prime contractors typically enjoy resources that allow them to manage the downsizing process while also systematically pursuing new business opportunities. Smaller firms may lack this capability because they may not have sufficient staff or financial resources to invest in market diversification or new business development activities.

Because of these factors, many communities opt to focus on helping smaller firms develop effective responses to defense downsizing. A number of options for working with smaller contractors and suppliers are presented below. While each issue has its own unique characteristics, they all share one common theme—helping these suppliers identify new business opportunities to soften the blow, or even replace—lost defense contract–related business. As firms look to diversify and generate new business activity, they can pursue a variety of approaches.

### 1. Re–engineering or Retooling an Existing Business

In this case, the company seeks to make its current operations more efficient or profitable. Manufacturing firms have been particularly aggressive in pursuing these approaches which help eliminate inefficiencies in the production process. Concepts like lean production, ISO certification, or six sigma, all refer to approaches that help increase firm productivity. Specialized training for a company’s incumbent workforce also supports this mission. More recently, it has become apparent that competing on the basis of cost and efficiency is not a long–term solution in a globally competitive market. As a result, increased emphasis is placed on helping companies with strategies for growth using innovation: launching new products, and/or selling to new customers in new markets in the US and abroad.

A number of programs have a long history of supporting firm re-engineering efforts. The Hollings Manufacturing Extension Partnership (MEP) program is the best known example. Since the 1980s, it has managed a nationwide network of 70 centers, staffed by 1,300 manufacturing and technical experts, who help small and medium-sized manufacturers become more competitive. Many state governments and university systems also sponsor programs focused on business re-engineering.

## 2. Identifying and Capturing New Markets

In some ways, the challenge facing defense suppliers seems simple. They must find new business to replace the lost defense contracting activity. But the reality is more complicated. Identifying new markets, qualifying customers, and winning new business is challenging in the best of times. It is especially challenging when a company's leadership is also coping with managing the downsizing process as well.

Smaller firms can benefit from targeted business development assistance that helps them break into new markets. Technical assistance from organizations such as the national Small Business Development Center (SBDC) Network can be very helpful. Also, SBA is charged with helping the federal government meet the annual goal of directing 23 percent of federal contracting dollars to small businesses. SBA advocates on behalf of small businesses and facilitates training for both federal contracting officers and small business owners.

Businesses should also consider expansion into global markets. In today's globalized economy, firms that sell only in their own region or even within the US, face limits on their growth potential. Moving into export markets, with support from programs like [Export.gov](https://www.export.gov) or various state export program initiatives, opens a whole new range of market opportunities.

## 3. Developing New Technologies

Defense-related businesses tend to be more technology-focused than their civilian counterparts. Many of them are used to performing research and development (R&D) to develop new products and technologies. Thus, many contractors can benefit from additional R&D investments that can be used to support new market activities. Many Federal programs invest in this effort. The Small Business Investment Research (SBIR) program, which helps small firms develop new technologies for Federal agencies, is a critical tool to provide needed patent capital for R&D.

Technology transfer and commercialization activities present another potential option. In these cases, firms can license technology or jointly develop new technologies with researchers at Federal research laboratories or university research departments. Most of these organizations operate offices specifically designed to support technology transfer and commercialization.

## 4. Accessing Capital

Most of these transition strategies require up-front investments, pushing firms to seek new sources of capital. Depending on a firm's track record and business plan, it may seek out either debt (i.e., loans), capital or equity investments. Public-sector backed programs typically focus on providing support for the provision of small business loans. A whole range of tools are sponsored by the Small Business Administration (SBA). These include:

- 7(a) loans;
- 504 loans;
- SBA-backed microloans; and
- Small equity investments managed by the Small Business Investment Company (SBIC) program.

Other Federal entities, such as the USDA and the Department of Commerce Economic Development Administration (EDA), have invested in state and local Revolving Loan Fund (RLF) programs that also provide needed debt capital. Finally, a whole host of state and local lending programs operate across the country.

Equity capital can be somewhat more difficult to access for smaller firms. These investments generally require some sharing of ownership by the investor, along with an "exit" strategy to ensure that the investor can recoup his or her investment. Venture capital is probably the best known form of equity investment, but venture capital firms typically invest large amounts (over \$10 million on average) in a very small cohort of specialized firms. Thus, venture capital may be a viable option for only a small number of companies.

In contrast, angel investors (individual or small groups of investors) invest smaller amounts in a more diverse array of companies. These investors also operate across the US, and can be found in or near most regions. The Angel Capital Association maintains a listing of these firms and their locations.

## 5. Helping New Firms Start

In addition to supporting new activities by existing firms, business development may also help create new companies. As we noted, entrepreneurial development is becoming a more important part of community development. These strategies make sense for defense transitions as well.

New companies and new entrepreneurs can benefit from all of the programs and ideas cited above. Beyond those business development efforts, communities typically support startups with specialized technical assistance and entrepreneurial training, coaching, and mentoring. Depending on the community, these programs may be provided by the local Chamber of Commerce, the SBDC office, a local business incubator, or even a private innovation accelerator network. You can find a listing of these programs at the Regional Innovation Acceleration Network (RIAN), at <http://www.regionalinnovation.org/content.cfm?article=about-rian>.

## III. Longer-Term Strategic Implementation Plan

Even as a community works to address local immediate dislocations, leaders should simultaneously consider its options for the future. The impacted defense firm may have been a long-time anchor in the community, viewed as a cornerstone of the local economy. What will (or should) the local economy look like with this foundation piece missing? What suppliers will be affected, and to what extent will their survival be challenged? Where will jobs for future generations come from?

Answering these questions is a tough challenge—mainly because there is no single answer or one best way to proceed. Different strategies work in different communities, and each community must develop its own unique approach and process for defense transition. That approach will develop based on any number of factors, chief among them:

- How dependent is the region on the defense industry and the jobs it provides?
- Is there a history of strong collaboration across jurisdictional lines and disciplines?
- What are the assets upon which the region might base a plan for economic diversification?

## A. Key Planning Principles

While no single approach guarantees success, history suggests that effective transition strategies do share some common characteristics in terms of the principles upon which the planning process is based. As emphasized throughout this Guide, these planning efforts tend to be:

- **Regional in Scope** – Economic boundaries don't stop at neighborhood, city, county, or state borders. Neither should the region's economic strategy. It takes a region to build a new economy.
- **Forward-Thinking** – They move beyond a reactive crisis response and spark a conversation about community aspirations. What do we want our community to look like in 10 years? In 20 years? How do we get there?
- **Asset-Based** – They build on local competitive assets and market niches. They capitalize on what the community already possesses and what it does well.
- **Multi-Faceted** – They rely on multiple strategies as opposed to a single approach. In most cases, the community will craft unique responses focused on helping businesses, workers, entrepreneurs and residents.
- **Multi-Disciplinary** – They engage people from across the community. This is not just a job for economic developers or political leaders or even business. Everyone must be engaged, including business, education, community groups, elected officials, and other key stakeholders.
- **Feature Full Transparency** – In all communications, transparency is important in garnering community support and attracting investment.

## B. Potential Strategies

The success factors noted above operate independently of the chosen approaches or strategies. Below is but a brief menu of ideas and approaches to consider as you move forward. These strategies are neither mutually exclusive nor exhaustive. In fact, an effective plan might evolve from a distinct focus on each of these strategic approaches. The most overarching principle of economic adjustment is that the vision, goals, and strategies must be community-based so that they reflect the best knowledge and greatest aspirations of the community itself; and consensus-based, so that plan implementation can be assured.

“Extensive research\* suggests that communities with strong industry clusters tend to be more competitive and better able to support the development of innovative companies.”

## 1. Cluster Development

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### What is it?

Industry clusters are agglomerations of interconnected firms and supporting organizations that operate in a similar industry or sector. Many communities are home to life science clusters that typically include biotech firms, medical facilities, university research departments, suppliers, and others, such as consultants and law firms that support the industry. Many regions, such as San Diego or Virginia’s Hampton Roads, are home to large defense clusters that encompass defense contractors, military facilities, supporting research agencies, and other stakeholders.

Extensive research suggests that communities with strong industry clusters tend to be more competitive and better able to support the development of innovative companies. As such, most states and many regions have crafted their own cluster development strategies to help bolster and expand local industry clusters. Many of the leading federal economic development initiatives, such as the recent Rural Jobs Accelerator and the Advanced Manufacturing Accelerator, are explicitly focused on supporting cluster development. These initiatives often include entrepreneurial development, workforce strategies, and cooperation with local universities to support targeted, high-growth clusters.

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### Examples:

It is nearly impossible to start a cluster from scratch. Most cluster strategies build on existing assets; begin with identifying the existing companies, connecting agents and institutional supports for the cluster; and help an existing or emerging cluster accelerate its growth and development. New York’s central region around Albany enjoyed great success in developing a local nanotechnology cluster. This strategy, begun in the early 2000s, has helped attract major new research facilities to locate in the region. San Diego has enjoyed similar success in nurturing a local biotech cluster. This effort emerged as part of the region’s response to the 1990s defense downturn—it sought to capitalize on technologies developed by local defense firms and from local research centers such as the Salk Institute and The University of California San Diego. Today, San Diego is recognized as one of the world’s leading centers of biotech research.

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### \* Background materials and reading include:

- “Job Creation on a Budget,” Brookings: <http://www.brookings.edu/blogs/the-avenue/posts/2011/01/25-regional-clusters-muro>
- San Diego profile: <http://www.brookings.edu/es/urban/publications/biotechsandiego.pdf>

## 2. Entrepreneurial Development

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### What is it?

Entrepreneurial development strategies typically focus on two activities: increasing the number of startup companies, and helping new firms grow faster and smarter. Entrepreneurial development operates via a growth-from-within mentality. Instead of aggressively recruiting or attracting firms to a community, it focuses on those firms and potential entrepreneurs who are already there. It recognizes that new fast growing companies create the vast majority of new jobs in the US. These strategies use a whole host of approaches, including training, business planning assistance, help with capital access, coaching/mentoring, and business development support.

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### Examples:

Most states and communities sponsor some kind of entrepreneurial development activities, so the range of models and examples is quite extensive. One of the best known and comprehensive approaches—economic gardening—was developed in Littleton, Colorado, when that community was hit by the closing of a Martin Marietta plant in the late 1980s. Community leaders recognized that they could not directly replace these lost jobs by attracting a new tenant for the facility, and instead opted for a strategy that rebuilt the local economy one business at time. Over several decades, this work has coalesced into a set of strategies known as economic gardening. Economic gardening provides firms with specialized market intelligence and other technical assistance so that they can achieve high growth. Since 1989, Littleton’s employment base has grown rapidly, far outpacing local population growth. Meanwhile, local sales revenues have tripled.

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### Background materials and reading include:

- Littleton, Colorado, site: <http://www.littletongov.org/index.aspx?page=219>
- National Center for Economic Gardening: <https://nationalcentereg.org/>
- Edward Lowe Foundation: <http://www.edwardlowe.org/>
- Growing Local Economies: <http://www.growinglocaleconomies.com>
- SBA Report on Economic Gardening: [http://www.sba.gov/advo/research/sbe\\_06\\_ch06.pdf](http://www.sba.gov/advo/research/sbe_06_ch06.pdf)
- NLC report on entrepreneurial communities: <http://www.nlc.org/find-city-solutions/center-for-research-and-innovation>

“...new fast growing companies create the vast majority of new jobs in the US.”

“...Since talent is the key asset needed to grow a regional economy, the workforce development approach must be demand-driven.”

### 3. Workforce Development Focus

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What is it?

Many experts agree that talent is the key asset needed to grow a regional economy. When economic developers and workforce developers collaborate, a community’s ability to nurture, attract, and retain talent will be greatly enhanced. For many people, talent refers to workers with PhDs or other kinds of advanced skills. In reality, talent strategies and talent needs vary markedly across regions. A manufacturing-heavy region likely needs skilled technicians and production workers; a region focused on its biotech cluster may seek to train and attract more researchers and scientists.

A workforce-focused strategy can target specific clusters or industry sectors but, in most cases, it emphasizes upgrading the skills of workers and potential workers via training, retraining, education and/or other kinds of supports. Typically, these strategies emerge from a local Workforce Investment Board (WIB), but their formulation must include other partners—especially educational institutions, economic developers and the business community. An effective workforce development strategy supplements the crisis response with longer-term approaches to build the region’s future workforce. The most important aspects of this approach are:

- The region’s workforce development efforts need to be aligned with focus industries or clusters determined through a process that is data-driven and consensus based. In other words, the workforce development approach must be demand-driven; and
- The strategies to develop the workforce for those industries must be developed and carried out by all partners with a stake and/or a significant role in developing the workforce.

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Examples:

The Department of Labor funded well over 100 Workforce Investment in Regional Economic Development (WIRED) and Regional Innovation Grants (RIGs) that followed the same basic processes discussed in this Guide, but which were focused primarily on enhancing the regional workforce.

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Background materials and reading include:

- “Pine Bluff Arsenal Workforce Assessment and Southeast Arkansas Industry Analysis”  
[http://www.sgiregion.com/uploads/page\\_uploads/SE\\_Arkansas\\_Workforce\\_Assessment\\_and\\_Industry\\_Analysis\\_20100714.pdf](http://www.sgiregion.com/uploads/page_uploads/SE_Arkansas_Workforce_Assessment_and_Industry_Analysis_20100714.pdf)

## 4. University-Focused Strategies

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### What is it?

In the 20th century, a steel mill or large factory was the economic anchor for many communities. Today, universities serve that purpose for many regions. They provide jobs, sponsor research, create new pools of talent, and often invest directly in local economic and workforce development projects. Because colleges and universities are such important economic engines, regions often design economic development strategies that build on these assets. The strategies take multiple forms and may seek to support entrepreneurs, support R&D investments, or build clusters. But they all put the university and its assets front and center.

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### Examples:

Several states operate aggressive university-focused strategies. For example, the Georgia Research Alliance funds university research, connects businesses to university resources, and helps Georgia attract research funds from Washington and elsewhere. In Maryland, TEDCO (The Maryland Technology Development Corporation) operates in a similar fashion. It also funds start-ups, manages a network of business incubators, and links local firms to resources at the many federal research labs located in the state. These programs help build essential partnerships between business, government, and higher education.

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### Background materials and reading include:

- UEDA: <http://universityeda.org/resources/>
- University Research Parks Association: <http://www.aurp.net/>

**“University-focused programs help build essential partnerships between business, government, and higher education.”**

## C. SMART Goals and Strategies

As discussed above, in order to develop—and successfully implement—a plan for regional economic transformation, partners must craft strong and well-articulated goals and related strategies. Development of the regional plan's goals should be driven by the shared regional vision, the regional asset map, data, and the SWOT analysis (see Chapter 6) is a helpful framework for ensuring development of sound plan goals and strategies. The “SMART goals” are:

- **Specific:** Goals should be precise and unambiguous, answering questions related to who, what, when, where, why, and which.
- **Measurable:** Goals should describe how you will know success has been achieved, in terms that are concrete and quantifiable as possible.

- **Attainable:** Goals should be realistic. Attainable goals typically require some level of “stretch” beyond the current state, but are not extreme or unreasonable in terms of the region's capacity.
- **Relevant:** Goals must be pertinent to and supportive of the identified vision, mission and objectives.
- **Time-Bound:** Goals must be grounded in a clearly-articulated timeframe, including a deadline for achievement.

### 2. Assessing Progress and Ensuring Continuous Improvement

A key objective in developing implementation goals that are specific, measurable, and time-bound is to provide a means for regularly assessing progress against the goals and creating accountability for ensuring that goals are met. Too often, larger strategic goals get “lost” in day-to-day tasks and urgent, unanticipated organizational demands. To avoid this, regional

#### 1. SMART Goal Examples

To better understand what makes a goal “SMART,” it can help to think first about common examples from day-to-day life.

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**Not SMART:** Lose weight.

**SMART:** Lose five pounds a month for the next three months for a total loss of 15 pounds by the end of March.

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**Not SMART:** Get more exercise

**SMART:** Exercise at least 30 minutes a day, five days a week.

In the context of economic and transition efforts, examples might include:

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**Not SMART:** Reemploy laid-off workers.

**SMART:** Ensure that at least 80% of impacted workers are reemployed in jobs that provide wages equal to or greater than their pre-lay off wages within six months of their being laid off. Primary responsible party is the Director of the local Career Center.

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**Not SMART:** Find grant funding to support our efforts.

**SMART:** By June 2012, obtain at least \$50,000 in foundation funding to support our staffing and operations costs. Primary responsible party is the Director of the Regional Economic Development Agency.

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**Not SMART:** Enhance high school students' awareness of career opportunities in our region's target industries.

**SMART:** Within two months, establish a consortium consisting of employer representatives, high school administrators and guidance staff, community colleges representatives, and workforce development system representatives. By the beginning of the 2012–2013 academic year, the consortium will develop and be prepared to deliver career awareness workshops for at least three of our region's five targeted industry sectors.

partners must create a formal mechanism for periodically reviewing progress against the goals, and must hold responsible parties accountable for meeting established goal milestones. If they do not, the predictable outcome is that the regional transformation effort will lose momentum, and ultimately, credibility—a daunting setback to overcome.

When it comes to maintaining momentum, two additional considerations may be just as important as assessing progress against established goals:

- It is never a bad idea get a win or two and publicize the win broadly. Nothing breeds success like success, and people always are more apt to “get on board” if they perceive an initiative as successful.
- Continuously improving once goals have been met. Meeting a goal does not mean that work is “done;” rather, it signals the need to answer the question, “What should we do next?” In crafting continuous improvement-focused goals, regional partners must capitalize on their prior success, adjust strategies to reflect lessons learned, and position themselves to take full advantage of new opportunities.

## D. Plan Data Metrics

With an implementation plan in place, tracking and monitoring performance and outcomes becomes critical. If the desired result from an initiative is not achieved, metrics can help to assess where specific weak points may exist and/or even identify a better course of action.

Two fundamental types of data metrics should be considered by the region: process and outcome. Process data focuses on capturing metrics involved in achieving an outcome. For example, if increased innovation is the desired outcome, process metrics may focus on capturing the number of patents filed; or Small Business Innovative Research (SBIR) grant or National Science Foundation grant applications submitted. The key is capturing the types of activities undertaken to achieve a desired outcome. Once enough information and data has been assembled on the processes undertaken, this information can be compared against the desired outcome to determine which processes were most effective and which ones may require improvement.

“ Nothing breeds success like success, and people always are more apt to “get on board” if they perceive an initiative as successful. ”

**Outcome metrics** focus on capturing data and information on the success of a specific process or engagement. For example, if a desired goal is promoting entrepreneurialism in the region, an outcome metric could be the number of new businesses filings or startups in the region. These metrics form the baseline for tracking progress toward desired goals. Ultimately, when establishing outcome metrics, a few practical rules can help determine which metrics are optimal for the implementation plan:

- Be specific, clear, and focused to avoid misinterpretation.
- Outcome metrics should include measure assumptions and definitions that can be easily interpreted.
- Metrics should be measurable, meaningful, and comparable to other data (avoid “yes/no” measures whenever possible).
- Attainable metrics are also critical to progressing toward the region’s goals; therefore, defining reasonable and credible metrics achievable under expected economic conditions is crucial.
- Time is always a factor, ensuring that outcome metrics are timely is also vital to understanding progress toward goals. If a metric cannot be captured for several years, then its effectiveness may be diminished. In this case, the use of secondary government data sources, wherein time lags and estimates are often incorporated, may not achieve the desired information on outcome metrics. To this end, metrics that are cost-effective to capture through primary means should be considered.

“ Metrics should be measurable, meaningful, and comparable to other data. ”



The following questions serve as a “checklist” to determine the quality of the metrics that have been defined:<sup>1</sup>

1. Is the metric objectively measurable?
2. Does the metric include a clear statement of the end results expected?
3. Does the metric support regional goals?
4. Does the metric focus on effectiveness and/or efficiency of the outcome being measured?
5. Does the metric allow for meaningful trend or statistical analysis?
6. Have appropriate industry or other external standards been applied?
7. Does the metric include milestones and/or indicators to express qualitative criteria?
8. Are the metrics challenging but at the same time attainable?
9. Are assumptions and definitions specified for what constitutes satisfactory performance?
10. Have those who are responsible for the performance being measured been fully involved in the development of this metric?

In practice, metrics can represent many different aspects of a plan and strategy. The following examples were extrapolated from the 2010 Norwich, Connecticut, Community-Wide Economic Development Plan and Process.

**Quality of Life Metrics** – Norwich’s economic development process is geared toward producing better jobs and increasing tax revenues, which will contribute to the community’s ability to influence the quality of life. Metrics to be tracked in the future include crime and education.

Two specific metric examples include crime rates and education performance in reading and math on standardized tests. Though Norwich has only begun to develop the framework for tracking metrics, the tables indicate the beginnings of establishing a baseline and tracking achievement. For example, the overall crime rate between the 1985–1994 average and the 2006 average crime rate per 100,000 residents has notably decreased.

<sup>1</sup>Questions reflect the University of California San Diego approach to performance measurement.

**Headline Indicator: Crime Rate per 100,000 Residents**

Component	Timeframe Number	Timeframe Number
Overall Crime Rate	1985-1994 (Avg) • 4,026	2006 (Avg) • 3,228
Violent Crimes	2000-2004 (Avg) • 428	2006 (Avg) • 486
Property Crimes	1985-1994 (Avg) • 4,026	2006 (Avg) • 2,471

“If a desired result is not achieved, metrics can help identify specific weak points and/or identify a better course of action.”

**Evaluation of the Connecticut Mastery Test (CMT)** performance establishes a baseline for measuring the effectiveness of education services. Norwich recognizes that economic development efforts do not directly impact education. However, increasing the standard of living and demonstrating quality education services affect individuals’ decisions to locate in their community, thereby increasing home ownership rates. As a result, Norwich will begin to track the performance of their students by measuring the percentage of achievement above a prescribed “goal” developed by Connecticut.

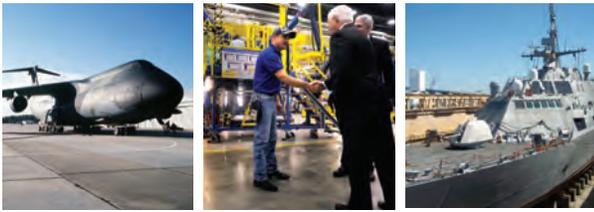
**Headline Indicator: Educational Achievement – Percent of Students at or Above Goal**

2009 Goal	Norwich	Statewide
CMT reading grade 3	37.8%	54.6%
CMT math grade 3	44.9%	63.0%
CAPT reading grade 10	45.6%	47.5%
CAPT math grade 10	51.9%	48.0%

**Economic Success Metrics** – As one of the output measures of economic success, in this case setting the baseline to track growth in the business sector, Norwich concluded that tracking property tax collections by type, as well as rented commercial space per square foot would provide critical information on business expansion/contraction. The following shows a breakdown of the initial tax base for commercial and industrial property. Subsequent years will track the changes in this tax base. Other metrics that the community will begin to track include:

1. Number of new businesses;
2. Job growth by quality of job;
3. Home ownership rate; and
4. Education achievement/graduation rates.

For a more comprehensive view of the rationale and use of the metrics, review the report at <http://www.askncdc.com/planning/documents/NorwichEconomicDevelopmentPlan-draft11-22-10.pdf>



**Inside this section:** Establishing sustainable governance and funding, while managing plan implementation and ensuring accountability and responsiveness.

# Chapter 8

## Implementation and Sustainability

Economic and workforce revitalization plans do not implement themselves—they don't even fund themselves—and they certainly are not re-visited and revised by themselves. Planning is only the “end of the beginning.” Implementing and sustaining the revitalization initiative over time, as conditions, needs and funding sources change, are key if the plan is not to merely “sit on a shelf.”

Members of the Leadership Group typically “sign on” for the duration of the planning process—implementation and on-going review and revision of the plan is another process entirely. A number of issues need to be resolved for successful implementation over time, including creating or designating an entity that can oversee and support the project's implementation and ensure coordination among all the partners. While these projects typically start with grant funding for planning, this is rarely a sustainable strategy into the implementation phase. How an organization will continue into the future should be planned in as much detail as the overall economic strategy of the region.

Some leaders may be fully engaged and ready to continue their contribution, while others may not be. Implementation and sustainability does require some resources that are different from those of the planning phase, but once the plan is complete and approved, it becomes abundantly clear just what resources will be needed—human, financial and otherwise. Exploring those resources and some possibilities for raising them constitute the bulk of this chapter.

IMPLEMENT

- Governance and Management
- Funding and Sustainability



A critical component of ensuring accountability for plan implementation is first obtaining buy-in and tangible commitments from regional stakeholders during the regional planning process.

## I. Governance Going Forward

### A. Purpose and Benefits

Regional defense industry adjustment initiatives are often funded initially by grants from the U.S. Departments of Defense, Labor and Commerce. However, most of those grants are for planning rather than implementation. The kind of effort described in this Guide, by its very nature, unfolds over the long term; achieving economic diversification and transformation requires sustained commitment and engagement. Because of this, it is important that affected communities establish, as early as possible, a recognized governance or administrative structure or entity that can oversee and support the project's implementation over time and ensure coordination among all the partners. This structure should not be confused with the original broad-based Leadership Group, which can be characterized more as a Board of Directors, and whose activities are often funded by planning grants.

Establishing such an administrative structure offers a variety of important purposes and benefits:

- It provides a vehicle for ensuring accountability for plan implementation and adjustment over time;
- It serves as the employing body of record for staff responsible for plan oversight and implementation;
- It coordinates the solicitation of funds and other resources from various sources to support staffing and ongoing plan implementation;
- It serves as the fiscal agent for the initiative, overseeing disbursement, control, and audit of funds obtained;
- It brings collaborative needs (financial and otherwise) to the attention of a Board of Directors (or some similar version of an Executive Committee), which in turn presents these needs to legislators, business people, and public agencies;
- It supports the continued cultivation of a dynamic social network of regional leaders that provides the intellectual energy for continuing innovation within the region;
- It serves as the home for the “brand” of the regional collaborative; and
- It coordinates regional outreach and communications efforts.

## B. Governance/Administrative Models

A governance/administration body overseeing and coordinating implementation of the regional economic adjustment effort may consider a number of potential models. One size does not fit all, and what works in one region might not be appropriate for another. Communities participating in economic adjustment initiatives should consider which model, or which combination of models, best suits their long-term vision, their culture, and their goals.

### 1. Embed the regional governance structure in an existing entity

Many regions choose to “house” governance and administration of the regional economic adjustment effort in an existing entity, such as an economic development or workforce development organization. The chief benefit of this approach is that it offers a “ready-made” structure for key administrative and financial functions, typically including the ability to receive, disburse, and manage federal, state, and other funding. In addition, such an arrangement may provide the additional benefit of having existing staff available to support the effort in a part-time capacity.

Potential drawbacks exist to embedding the economic adjustment effort in an existing organization. First, existing organizations have their own missions, identities, and areas of responsibility which may well be narrower in focus than the regional economic adjustment effort. For example, economic development organizations often serve just one particular county, while a regional defense adjustment effort often involves multiple counties. It can be a challenge for an existing organization with a focused set of priorities to expand its “area of concern” beyond its established geographical or municipal borders. Similarly, if the existing organization is a membership organization, or operates under a Board of Directors, it can be difficult to obtain the buy-in of members and the Board around expanding the organization's work to encompass the larger regional effort. These challenges can be overcome by a concerted communications effort that demonstrates the ways in which the broader, regional economic adjustment effort both complements and advances the organization's vision, mission, and priorities.



“ The kind of effort described in this Guide unfolds over the long term; achieving economic diversification and transformation requires sustained commitment and engagements. ”

## St. Louis and McDonnell Douglas Corporation

**SITUATION:** In 1990, St. Louis, Missouri, had a defense driven economy. The 720 prime defense contractors employed approximately one out of seven workers in the area, with the McDonnell Douglas Corporation employing 42,000 people. Within a six-month period, close to 10,000 employees were laid off, impacting the community significantly. Between 1990 and 1994, an additional 25,000 jobs were lost. By 1997, only 99,000 were employed by defense-related firms, down from a high of 159,000 in 1989.

**SOLUTION:** Anticipating these cuts, the Mayor of St. Louis and the St. Louis County Executive called for the formation of the St. Louis Economic Adjustment and Diversification Committee to address the region's dependence on the defense industry and to identify strategies to assist displaced defense workers. Given the broad impact of the layoffs, the committee included economic development professionals, business and labor leaders, university faculty, and government officials from throughout the bi-state region.

With support from OEA, the U.S. Economic Development Administration, the State of Missouri, and local sources, the committee researched and developed long-term diversification strategies for the St. Louis regional economy. They conducted two rounds of telephone surveys and focus groups with workers in addition to a survey of defense prime contractors, subcontractors, and suppliers. Economic forecasts informed the group's economic development strategy. International trade and business development programs, organizations, and opportunities were

assessed. Business financing programs were analyzed and specific industries and technologies were studied for their growth potential. A Strengths, Weaknesses, Opportunities, and Threats analysis included research on critical manufacturing technologies and future workforce needs. These studies culminated in a regional economic adjustment plan.

The St. Louis Defense Adjustment Program, a broad public-private, action-oriented effort comprised of a Steering Committee, a Working Committee, and many functional sub-committees, was then created to work with organizations in the region to:

- Adjust worker re-entry and training programs so that they could offer the best advice to the most people;
- Offer company re-orientation for new markets through the creation of the Midwest Manufacturing Technology Center;
- Diversify the regional industry and business base; and
- Develop new economic development initiatives.

These initiatives focused on **International trade**, through the World Trade Center St. Louis; **Innovation** through the Critical Technology Partnership; and **Entrepreneurial support**.

**OUTCOMES:** By 1994, 75 percent of all laid off workers were re-employed in the greater St. Louis region. Two-thirds of those workers earned as much or more money than they did while working at their previous job. Ten percent of laid-off workers had started their own business.

## 2. Create a new organization to coordinate the regional economic adjustment effort

Some regions undertaking an economic adjustment effort choose to establish a new organization dedicated to the management and implementation of the effort, often a non-profit or private entity. One of the benefits of this approach is that it allows communities to start “from scratch” in an organizational sense and build a unique and relatively autonomous organization with its own identity dedicated to, and recognized for, the adjustment effort.

Establishing a new organization, of course, requires navigating a number of logistical issues. Some of these issues may be legal, tax-related, and administrative in nature, particularly if the organization seeks to be eligible to receive and administer federal, state, and other funding. Others typically relate to the need to obtain adequate operational funding, space, equipment and supplies, and staff. To address these potential issues, participating community partners from the affected region may “pool their resources”—intellectual, administrative, financial, and in-kind—each contributing various elements of expertise and resource support to help establish the new organization, fund its operation, and staff it adequately.

## 3. Create an Executive Committee or Board of Directors that is not formalized as an organization

To avoid the potential challenges that may arise from either embedding the regional economic adjustment effort in an existing entity, or establishing it as its own unique organizations, many regions opt to create an Executive Committee or Board of Directors structure, but not position the effort in a formalized organizational structure. This type of approach has the added benefit of being relatively economical, in that it does not require a significant amount of operational funding or staffing. In such models, the committee or board is usually led by a chair or two co-chairs, regional leaders that are well-recognized and passionate about the effort. Other committee and board members are drawn from throughout the region, and represent all major partner/stakeholder groups engaged in economic adjustment efforts. The board or committee may also include a small number of members who are not from the region, but that have particular expertise that can help advance the adjustment initiative. While informal in a legal sense, the board or committee creates and adopts a charter, a set of by-laws, or a similar framework for its operations.

While this approach to project governance and administration is relatively low-cost and certainly inclusive, a potential drawback is the limited organizational and administrative support available for the Executive Committee or Board of Directors. And because the Committee or Board is not incorporated as an organizational entity, it may not be eligible (or equipped) to apply for, obtain, and manage grants and other types of funding. To address these challenges, regions may wish to form an Executive Committee or Board of Directors, and also create an organization (or join with an existing organization) that can support the Committee or Board and manage financial, operational, and administrative matters.

## C. Key Considerations in Governance, Administration and Leadership

Regardless of the approach a region chooses, a number of critical success factors remain constant:

- The organization or group guiding the effort must be representative of all regional stakeholders, and should reflect the participation of all geographic areas engaged in the effort.
- All partners participating in the effort must be committed to the shared regional vision—not individual organizational agendas.
- There must be some mechanism in place—and the related capacity—that enables the regional economic adjustment collaborative to apply for, receive, disburse, and manage federal, state, philanthropic and other funding.
- Staff supporting the effort must have relevant experience, expertise, and competence in the implementation of complex, long-term regional planning and implementation initiatives that involve multiple partners, priorities, and goals.

The group coordinating the economic adjustment effort should reflect both established and emerging regional leaders to ensure a balance of perspectives, interests, ideas, and networks. As this type of collaborative and regionally-based effort is often new to many established community leaders, regional engagement strategies should include young, new and/or non-traditional leaders as well as established and well-recognized leaders.

Much has been written about “new” and “old” style leadership. For our purposes, it is essential that the Leadership Group, and the body empaneled to oversee plan implementation, include individuals who embody the following characteristics:

- Embraces external change and seeks to capitalize on it;
- Values teamwork and team recognition;
- Recognizes diversity as strength to be nurtured in the effort;
- Favors transparency in operations;
- Engenders collaborative action;
- Focuses on building networks and bringing people into the process;
- Encourages and values “out of the box thinking;”
- Seeks to empower people;
- Welcomes risk taking to advance goal achievement; and
- Breeds loyalty through respect for valuable contributions.

## II. Accountability and Responsiveness in Plan Implementation Management

Regional economic adjustment efforts are complex pursuits that unfold and evolve over time. Efforts involve multiple interconnected strategies and activities, as well as a wide variety of partners. Because of this, sound planning and attentive project management is extremely important. The region must be equipped to coordinate and align short-term deliverables—development of the regional economic adjustment implementation plan, the reemployment of impacted workers and services to business—with longer-term actions designed to revitalize, diversify, and strengthen the regional economy. Ensuring accountability for actual plan implementation is critical.

Too often, stakeholders come together to craft regional plans for economic and workforce transformation—and invest a significant amount of time and effort in the process—only to have the final plan sitting, unimplemented, on a shelf. This unfortunate but too-common scenario can be avoided if the regional implementation plan provides a clear framework for accountability for implementation of plan strategies and action steps. It must detail timeliness and deadlines, specific parties responsible for implementation of regional plan strategies and activities, and expectations for any deliverables that are connected to those strategies and activities. The regional

plan should also clearly outline expectations for progress and performance over time, including specific performance metrics, where possible. As important, the plan should clearly depict and highlight the interdependencies among strategies and activities to facilitate alignment and seamlessness in the implementation of related efforts.

A critical component of ensuring accountability for plan implementation is first obtaining buy-in and tangible commitments from regional stakeholders during the regional planning process. Demonstrating return on investment for partners involved in plan development is a requirement for building this level of commitment. If all partners can clearly understand how engagement in regional economic adjustment and transformation efforts benefits and supports their work, collective accountability for actual plan implementation will be greatly enhanced.

A regional implementation plan must be treated as a living document, and should be revisited regularly and updated as necessary over time as conditions evolve, new partners are engaged, additional data and intelligence is obtained, and new synergies and opportunities arise. Responsibility for revisiting the plan and adjusting it in response to evolving regional conditions and needs must be clearly-delineated as a task. If it is not, over time, the regional plan will become increasingly irrelevant to community stakeholders and increasingly obsolete. The process of revisiting the plan and modifying it to reflect new or changing information and inputs should be as inclusive as possible.

### Ensuring Implementation:

- Obtain buy-in and tangible commitment from stakeholders;
- Detail timelines, deadlines, and responsible parties;
- Detail expectations for deliverables;
- Include performance metrics;
- Demonstrate return on investment; and
- Convene regularly to revisit and revise plan.

## III. Funding and Sustainability

### A. Funding Strategy Principles

When an individual or group is looking to start a business, they complete a business plan to take to investors, hopefully one that exemplifies a thoughtful approach to filling an unmet need. The regional strategic plan may be viewed similarly. As the region moves forward, its plans, implementation strategy, and communications efforts should be geared to achieve a successful funding strategy. Without funding, even the best plans and strategies face major hurdles. The following broad guidelines and principles should be considered as funding strategies are developed:

- **Solidify Your Base** – Implementing an effective strategy requires people and organizations to manage the process. The first task is to develop a resource base that allows the Leadership Group to “keep the lights on,” i.e., to pay the salaries and support the other costs associated with the implementation team. These funds might come from existing budgets, but supplemental funds will also likely be needed.
- **Plan for the Long Haul** – Effective community strategies think long term and funding strategies should take a similar view. Where possible, the region should identify funds that can support several years of effort.
- **Diversify Funding Base** – Just as regions seek to avoid dependence on one employer or one industry, the strategy should seek to avoid dependence on only one funding source. A diversified funding base provides insurance in cases where specific investment sources dry up or funding expires.
- **Align to Regional Goals** – Effective funding strategies link to wider regional goals, providing investors with confidence that supporting defense adjustment will also help achieve other community aspirations.
- **Know Investors** – It is essential to understand the interests and goals of potential investors. What kinds of programs do they fund? What are their objectives for the community or the broader area with which they are concerned?
- **Be Opportunistic** – New funding sources and opportunities arise on a regular basis. Leadership Groups should have the capacity to identify and compete for these new opportunities when they are uncovered.

### B. Potential Sources of Funding

As a result of the collaborative planning process, regional leaders will have achieved a consensus around regional goals. The first, most important and absolutely essential source of funding for initiatives to pursue these goals lies in the authority of regional leaders to align their own budgetary investments with the goals in the plan. It is fully recognized that any public official (or private, for that matter) must first be concerned with his immediate enabling legislation and constituency (or company). However, this alignment usually does not require anything resembling a seismic change in approach or effect of investments. But tweaks count, as do major changes.

For example, if a consensus decision is made to focus on developing a nascent biomedical, or advanced manufacturing cluster, the community college will want to assess its curriculum in those areas and act upon that assessment. Or, if there is a comprehensive initiative to develop an entrepreneurial culture, there are several things that businesses, business organizations, educational, and workforce development institutions can consciously do, within their missions and budgets, to support that development. There are limitless possible examples, all of which are dependent on the particular assets within the region and the decisions made by regional leaders. But none can come to fruition without the collaborative approach that is discussed throughout this Guide.

This Guide has listed and catalogued numerous resources and programs that are available to fund or support regional redevelopment efforts. For funding, the primary sources fall into several categories:

#### 1. Public Sector

Funding for various public programs—at the federal, state, and local levels—is under serious scrutiny, and budgets are generally on the decline. Yet, even in these tight times, government programs collectively invest billions of dollars to support various community and regional development activities.

Public sector resources can be made available to serve a variety of community needs, from worker retraining to business development to community infrastructure projects. The region can and should consider specialized strategies for programs that serve the community or region, the region’s businesses, and the workers and other residents affected by defense downsizing.

If your area is affected by a defense action, the region is likely collaborating with the Defense Department's Office of Economic Adjustment (OEA). OEA staff can assist in identifying other federal support and potential funding sources.

Numerous state and local government programs also support community economic and workforce development activities. Specific funding opportunities will vary by state and locality.

- **Office of Economic Adjustment**  
<http://www.oea.gov>
- **Economic Development Administration**  
<http://www.eda.gov/ffo.htm>
- **Department of Labor**  
<http://www.doleta.gov/grants/>
- **Department of Agriculture**  
<http://www.usda.gov/wps/portal/usda/usdahome>
- **Small Business Administration**  
<http://www.sba.gov/category/navigation-structure/loans-grants>

## 2. Foundations/Philanthropies

Foundations are another important source for investment. Most of us are familiar with large global foundations such as Ford, Gates, or Rockefeller. These national philanthropies do sometimes invest in local development projects, but these programs typically have a targeted focus, such as creating green jobs or improving local schools. In some cases, these sources may be a potential investor in the region. However, local or statewide foundations are more likely partners. These organizations are explicitly focused on supporting a given community or region, and many of these foundations do have a core focus on community development. If the region is home to a community foundation, they may be an important potential partner. You can learn more from the Council on Foundations at [www.cof.org](http://www.cof.org).

## 3. Private Sector

It is likely that few local stakeholders are more invested in the regional recovery than the local business community. When the region prospers, they prosper too. Thus, local business owners can and should be important partners and investors in the redevelopment efforts. As you seek out private contributions, it makes sense to approach a variety of local businesses—from large employers to small business owners. While their ability to contribute may vary, they all share an interest in supporting community development and ensuring that good jobs are available to residents.

“ The regional strategic development plan should be viewed and presented as a business plan. ”



# Reference Appendix

## CHAPTER 3: Understanding Regional Impacts and Data

1. **EDA Economic Development Project Evaluation Tool**  
<http://www.eda.gov/Research/ToolsOfTrade.xml>  
For a description of the tool, see:  
[http://www.ee.unirel.vt.edu/index.php/econdevelopment/comment/EDAs\\_Economic\\_Development\\_Project\\_Evaluation\\_Tool/](http://www.ee.unirel.vt.edu/index.php/econdevelopment/comment/EDAs_Economic_Development_Project_Evaluation_Tool/)
2. **StatsAmerica.org StatsAmerica**  
[www.statsamerica.org](http://www.statsamerica.org)  
Funded by the U.S. Commerce Department's Economic Development Administration, the site contains two tools—Innovation in America's Regions and Measuring Distress. The tools allow for areas (counties, states, and MSAs) to model industry clusters, occupation clusters, and innovation. In addition, the tools also model potential "distress" for neighborhoods based on unemployment and income.
3. **YourEconomy.org Tool**  
[www.youreconomy.org](http://www.youreconomy.org)  
Available through the Edward Lowe Foundation. YourEconomy uses National Establishment Time Series (NETS) data to measure industry jobs and establishments across various geographies. The free portion of YourEconomy allows an area to look at the composition of business establishments in an area (from self-employed to Stage 4 companies) and how that composition contributes to employment for a state, MSA or county.
4. **Defining the Economic Region: LEHD and Input-Output Modeling**  
<https://www.oea.gov/programs/dia/resources/local-officials-guide-to-economic-adjustment#TabAnchor>
5. **Expanded Chapter 3: Understanding Regional Impacts and Data**  
<https://www.oea.gov/programs/dia/resources/local-officials-guide-to-economic-adjustment#TabAnchor>

## CHAPTER 4: Understanding Economic Adjustment

1. **Coordinating services and resources for workers impacted by defense adjustment:**  
CareerOneStop Worker ReEmployment Portal  
<http://www.careeronestop.org/ReEmployment/>  
Worker survey administered for the Pine Bluff (Arkansas) Arsenal workers as an example of initial needs assessment  
<https://www.oea.gov/programs/dia/resources/local-officials-guide-to-economic-adjustment#TabAnchor>  
Heldrich Center Research Brief: "Coping with Layoffs: Current State Strategies for Better Rapid Response"  
[http://www.heldrich.rutgers.edu/sites/default/files/content/Rapid\\_Response\\_Brief.pdf](http://www.heldrich.rutgers.edu/sites/default/files/content/Rapid_Response_Brief.pdf)
2. **Chapter 4.3: Connecting immediate reemployment efforts to industry sector and cluster strategies:**  
State Sector Strategies Toolkit  
<http://www.sectorstrategies.org/toolkit>  
Kentucky's Sector Strategies Toolkit  
<http://www.kysectorstrategies.com/>  
NNSP Sector Initiatives Profiles (2010)  
<http://www.insightccd.org/uploads/publications/wd/Sector-Snapshots.pdf>  
"State Sector Strategies: Regional Solutions to Worker and Employer Needs"—NGA Center for Best Practices  
<http://www.nga.org/files/live/sites/NGA/files/pdf/06STATESECREG.PDF>

## CHAPTER 5: Collaborative Communications

1. **Roles of Key Partners**  
Workforce Partnerships Guidance Tool (National Fund for Workforce Solutions, 2010)  
[http://www.jff.org/sites/default/files/NFWS\\_workforce\\_guidance\\_tool\\_111110.pdf](http://www.jff.org/sites/default/files/NFWS_workforce_guidance_tool_111110.pdf)
2. **Search for existing copyright information**  
<http://www.copyright.gov/records/>

3. **The Five Elements of a Communications Plan**  
<https://www.oea.gov/programs/dia/resources/local-officials-guide-to-economic-adjustment#TabAnchor>

## CHAPTER 6: Organize

1. **LEHD “OnTheMap”**  
<http://lehdmap.did.census.gov>

2. **Asset Mapping Guides, Tools and Databases**  
 Several asset mapping guides and tools are available online for use in developing a regional asset map. Two useful and vetted guides are:

- **Asset Mapping Roadmap: A Guide to Assessing Regional Development Resources**  
[http://www.careeronestop.org/RED/Illuminate\\_regional\\_Aug2007.pdf](http://www.careeronestop.org/RED/Illuminate_regional_Aug2007.pdf)
- **Connecting to Success: Neighborhood Networks Asset Mapping Guide**  
<http://www.hud.gov/offices/hsg/mfh/nnw/resourcesforcenters/assetmapping.pdf>

In addition, several useful databases and tools are available to collect and analyze regional data on a host of different topics. The following table provides a brief list of some popular datasets and tools.

Type of Information	Source	Website
Education	National Center for Education Statistics	<a href="http://www.nces.ed.gov">www.nces.ed.gov</a>
Industry Job Growth	Bureau of Economic Analysis	<a href="http://www.bea.gov">www.bea.gov</a>
Workforce Data	Bureau of Labor Statistics	<a href="http://www.bls.gov">www.bls.gov</a>
Housing and Population Data	U.S. Census Bureau	<a href="http://www.census.gov">www.census.gov</a>
Commuting Patterns	U.S. Census Bureau	<a href="http://lehdmap.did.census.gov">lehdmap.did.census.gov</a>
Venture Capital	PriceWaterhouseCoopers	<a href="http://www.pwcmoneytree.com/moneytree">www.pwcmoneytree.com/moneytree</a>
Industry Clusters	Cluster Mapping Project (Harvard) StatsAmerica	<a href="http://www.data.isc.hbs.edu/isc/index.jsp">www.data.isc.hbs.edu/isc/index.jsp</a> <a href="http://www.statsamerica.org">www.statsamerica.org</a>
Occupation Clusters	StatsAmerica	<a href="http://www.statsamerica.org">www.statsamerica.org</a>
Innovation/Patents	U.S. Patent and Trademark Office StatsAmerica	<a href="http://www.uspto.gov">www.uspto.gov</a> <a href="http://www.statsamerica.org">www.statsamerica.org</a>
Business Starts, Expansions, Locations and Exits	National Establishment Time-Series (NETS) Database	<a href="http://www.youreconomy.org">www.youreconomy.org</a>

### 3. Project Charter Example

<https://www.oea.gov/programs/dia/resources/local-officials-guide-to-economic-adjustment#TabAnchor>

### 4. Link to a Social Network Mapping report

<https://www.oea.gov/programs/dia/resources/local-officials-guide-to-economic-adjustment#TabAnchor>

### 5. Sample SWOT analysis that was developed during a regional planning effort

[http://www.sgiregion.com/uploads/page\\_uploads/Southeast\\_Arkansas\\_Growth\\_Initiative\\_-\\_Regional\\_Plan\\_for\\_Economic\\_Development\\_-\\_Draft\\_Report\\_-\\_Appendices.pdf](http://www.sgiregion.com/uploads/page_uploads/Southeast_Arkansas_Growth_Initiative_-_Regional_Plan_for_Economic_Development_-_Draft_Report_-_Appendices.pdf)

### 6. Asset Map Metrics

<https://www.oea.gov/programs/dia/resources/local-officials-guide-to-economic-adjustment#TabAnchor>

### 7. Asset Map Dataset Examples

<https://www.oea.gov/programs/dia/resources/local-officials-guide-to-economic-adjustment#TabAnchor>

## CHAPTER 7: Plan

### 1. Short-term, Operational Reemployment Plan

See resources listed under Chapter 6, #1 and #2.

### 2. Connecting Reemployment Planning to Regional Economic Diversification Efforts: “Pine Bluff Arsenal Workforce Assessment and Industry Analysis” Report done for Southeast Arkansas.

<http://www.sgiregion.com/resources>

### 3. Three Common Visioning Approaches

<https://www.oea.gov/programs/dia/resources/local-officials-guide-to-economic-adjustment#TabAnchor>

### 4. SizeUp

[www.sba.gov/sizeup](http://www.sba.gov/sizeup)

Online tool to help small businesses understand how their business stacks up with the competition in their area.

## CHAPTER 8: Implement

### 1. Community Engagement—Building Participation and Consensus

<https://www.oea.gov/programs/dia/resources/local-officials-guide-to-economic-adjustment#TabAnchor>

### 2. Business USA

[BusinessUSA.gov](http://BusinessUSA.gov)

A centralized, one-stop platform to make it easier than for businesses to access services to help them grow and hire.

# Glossary of Acronyms

<b>ADD</b>	Area Development District	<b>NGA</b>	National Governors Association
<b>AFB</b>	Air Force Base	<b>NLC</b>	National League of Cities
<b>BRAC</b>	Base Realignment and Closure	<b>NNSP</b>	National Network of Sector Partners
<b>CAPT</b>	Connecticut Academic Performance Test	<b>NTC</b>	National Training Center
<b>CMT</b>	Connecticut Mastery Test	<b>OEA</b>	Office of Economic Adjustment
<b>DOC</b>	Department of Commerce	<b>PhD</b>	Doctor of Philosophy
<b>DoD</b>	Department of Defense	<b>R&amp;D</b>	Research and development
<b>DOL</b>	Department of Labor	<b>RIAN</b>	Regional Innovation Acceleration Network
<b>EDA</b>	Economic Development Administration	<b>RIG</b>	Regional Innovation Grant
<b>EDC</b>	Economic Development Corporation	<b>RLF</b>	Revolving Loan Fund
<b>ETA</b>	Employment and Training Administration	<b>SBA</b>	Small Business Administration
<b>FEA</b>	Functional Economic Area	<b>SBDC</b>	Small Business Development Centers
<b>FNSB</b>	Fairbanks North Star Borough	<b>SBIC</b>	Small Business Investment Company
<b>GPS</b>	Global Positioning System	<b>SBIR</b>	Small Business Investment Research
<b>HII</b>	Huntington–Ingalls Industries	<b>SMART</b>	Self-Monitoring, Analysis and Reporting Technology
<b>IO</b>	Input-Output	<b>SOC</b>	Standard Occupation Classification
<b>ISO</b>	International Organization for Standardization	<b>STTR</b>	Small Business Technology Transfer
<b>JFCOM</b>	Joint Forces Command	<b>SWOT</b>	Strengths, weaknesses, opportunities, and threats
<b>LED</b>	Louisiana Economic Development	<b>TEDCO</b>	Technology Development Corporation
<b>LEHD</b>	Longitudinal Employer–Household Dynamics	<b>UC</b>	University of California
<b>LG</b>	Leadership Group	<b>UEDA</b>	University Economic Development Association
<b>LMI</b>	Labor market information	<b>USDA</b>	U.S. Department of Agriculture
<b>LQ</b>	Location Quotient	<b>USJFCOM</b>	United States Joint Forces Command
<b>LWIB</b>	Local Workforce Investment Board	<b>WDC</b>	Workforce Development Council
<b>M&amp;S</b>	Modeling and Simulation	<b>WIB</b>	Workforce Investment Board
<b>MCLB</b>	Marine Corps Logistics Base	<b>WIRED</b>	Workforce Investment in Regional Economic Development
<b>MEP</b>	Manufacturing Extension Partnership		
<b>MSA</b>	Metropolitan Statistical Areas		
<b>NAICS</b>	North American Industry Classification System		
<b>NEG</b>	National Emergency Grant		
<b>NETS</b>	National Establishment Time-Series		

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