

BUSINESS DEVELOPMENT

FEBRUARY 2024

4 OF 9 ISSUE BRIEFS

INTRODUCTION

Business development and technical assistance represents an essential element in every economic developer's toolkit. Whether it is advising entrepreneurs and small businesses, or trying to land a large business expansion project, most states and Economic Development Districts (EDDs) have active business assistance strategies and programs. Intentional alignment efforts can provide consistent programming and messaging which will make success more likely for businesses seeking one-stop services.

As fundamental drivers to regional, state, and national economies, businesses account for most employment and wages, and drive and contribute to innovation, workforce development, and socioeconomic well-being in the communities in which they are located. Given the importance of businesses to economic performance, the Comprehensive Economic Development Strategy (CEDS) and state strategies frequently identify business retention and expansion (BRE) and business attraction as their primary approach to direct policies and programs designed to grow the economy.

Because most U.S. businesses have fewer than 20 employees and may have limited operational experience, small business development and assistance programs can play a key role in helping these businesses grow. Business development services related to the retention and expansion of larger firms can also contribute to economic growth.

About the Issue Brief Series

Alignment of state and EDD planning activities leading to collaborative program execution is an important way to increase the chances of regional and state economic success. Awareness alone is not enough; alignment is the critical next step in working together to solve a region's economic challenges. Misalignment of strategies can result in divergent priorities and uncoordinated efforts that may undercut program success or lead to duplicative activities.

Creating a culture and process centered on alignment supports coordinated economic strategies and investment which can help facilitate improved economic outcomes, sustained economic growth, and enhanced equity throughout the nation's economy.

This issue brief is one of a series of nine reports that will help inform efforts to increase alignment, collaboration, and co-investment between states and local EDDs, as well as their public and private stakeholders. The first issue brief provides an overview of all issue briefs along with an explanation of how case studies were identified.

The Center for Regional Economic Competitiveness specializes in providing practical, data-driven solutions so decisionmakers can create more equitable opportunities for their states and regions. We achieve this by helping regions build capacity and leverage their strategic assets with an emphasis on talent, innovation, and networking.

LESSON HIGHLIGHTS

ALIGNING BUSINESS DEVELOPMENT

Alignment Lesson	Case Studies Demonstrating Alignment
<p>Lesson 4.1 - EDDs: Serve as conveners and educators in business development activities. As sources of local knowledge and representatives of their region, EDDs are well-suited to interface with outside stakeholders to promote their regions' business environment. In this convener role, EDDs can benefit from state support to enhance marketing and outreach activities and to broaden engagement with regional stakeholders.</p>	<p>The Puget Sound Regional Council's close partnerships with the State of Washington and other stakeholders on business development provides a valuable lesson on how a regional organization can play a leadership role in attracting, expanding, and retaining businesses.</p>
<p>Lesson 4.2 - States: Partner with EDDs to deliver business development services that are more locally oriented. Because states tend to focus on larger projects with statewide impacts, they may overlook the needs of smaller businesses that may need more direct technical assistance to be successful. Partnering with EDDs can help states provide more localized service delivery with a stronger emphasis on small business development.</p>	<p>The Montana Department of Commerce (MDOC) partnered with the Southeastern Montana Development Corporation (SEMDC) to deploy state resources in a way that addresses the specific needs of regional businesses. Funding from MDOC enabled to SEMDC to provide effective and customized services to the region's businesses and residents.</p>
<p>Lesson 4.3 - States and EDDs: Collaboratively map assets and limitations to create achievable, implementable goals. States and EDDs can work best together when they understand what each can bring to the table. Mapping a state or region's assets and conducting a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis are helpful tools to identify the respective value propositions of states and EDDs.</p>	<p>The co-location of the Mid-Shore Regional Council in the same office building as the Maryland Department of Commerce facilitated collaboration that evolved into strategic discussions on how the region and the state can align their business development and assistance efforts.</p>

LESSON 4.1 - EDDS

SERVE AS CONVENERS AND EDUCATORS IN BUSINESS DEVELOPMENT ACTIVITIES.

In the United States, state organizations tend to lead business recruitment, expansion, and retention activities with varying degrees of coordination and alignment with EDDs. However, as sources of local knowledge and representatives of their region, EDDs are well-suited to interface with the state to promote their regions' business environment. In this convener role, EDDs can benefit from state support to enhance marketing and outreach activities and to broaden engagement with regional stakeholders. For example, EDDs can leverage state economic developers' relationships to industry to better market their regions, and they can utilize state-level business expansion and retention programs to engage with employers.

The Puget Sound Regional Council (PSRC) – an EDD in the State of Washington which includes population-dense, urbanized areas like Seattle and Redmond – has found success as a convener to galvanize stakeholders around the region's development and as a regional representative to prospective business. As such, PSRC plays a vital role in building an economic development ecosystem in western Washington.

CASE STUDY

Building a Business Development Ecosystem

Puget Sound Regional Council

PSRC has a strong history of collaboration with the State of Washington. For instance, the Washington Department of Commerce (WDOC) serves on the Central Puget Sound Economic Development District Board, and Washington Department of Transportation officials serve on the PSRC Executive Board. Overall, membership on its board consists of representatives from private businesses, local governments, tribes, and trade organizations which highlights PSRC's role as a platform for different initiatives by the board and community.



PSRC's "Regional Collaboration" Tours

PSRC utilized the board in an initiative to collaborate with different entities on business development activities through "Regional Collaborations," a series of four tours covering each of the region's counties to familiarize the board with the local economy and connect state-level partners to the community.¹ The first tour of Kitsap County focused on economic points of interest where board members visited prominent employers and local stakeholders. The event provided an opportunity for board members to collaborate in-person and bring together its members of various backgrounds to learn firsthand about Kitsap's economy as well as about potential opportunities and challenges facing the region.

PSRC also offers workshops about various economic development topics and provides research-based support for regional business development initiatives. Its economic development team utilizes data resources, considerations, and analysis to steer business location and help influence business attraction efforts.² PSRC also coordinated the Americas Competitiveness Exchange (ACE) in May 2023, a week-long business development event co-staffed by the U.S. Department of Commerce. The event invited international visitors to highlight the region's economic development and business assets.

Leadership changes at the state and regional level have had impacts on how well PSRC and the state collaborate. Changes in leadership have at times shifted the focus of PSRC's projects and prolonged their duration. These challenges demonstrate the need to formalize and institutionalize state-EDD collaboration, so that collaborative processes persist through leadership change and staff turnover.

1. Puget Sound Regional Council. (2022). "Board members gained firsthand look at region's economies." <https://www.psrc.org/about-us/media-hub/economic-development-board-building-connections-kitsap-county>

2. Washington State Department of Commerce. (2022). "Passport to 2044: Comprehensive Plan Workshop Series." <https://deptofcommerce.app.box.com/s/fon6l5ao1q439kld4jfijmvpbdjlv8q>

LESSON 4.2 - STATES

PARTNER WITH EDDS TO DELIVER BUSINESS DEVELOPMENT SERVICES THAT ARE MORE LOCALLY ORIENTED.

For regions facing economic headwinds and/or industrial decline, state-EDD alignment in business development can increase the capacity and efficacy of efforts to help regional economies recover and be more resilient to technological and industrial change. An effective and coordinated system to deliver business development services is important to regions facing industrial decline or future opportunities. These economic growth priorities underscore the need for frequent and formalized collaboration between states and their regions.

The collaborative relationship between the State of Montana and the Southeastern Montana Development Corporation (SEMDC) illustrates this point. Southeastern Montana's traditional economic base tied to the coal mining industry has experienced recent declines in business establishments and rises in poverty levels.³ Yet, recent business development programming is proving hopeful for the region as SEMDC has growing partnerships and collaboration with other organizations to improve economic conditions.

3. Southeastern Montana Development Corporation. (2023). <https://semdc.org/about/the-region/>

CASE STUDY

Regionalized Service Delivery in Coordination with State Activities

Montana Department of Commerce

Southeast Montana is a region seeking to transition and diversify its economy as energy transitions away from coal. Frequent communication between SEMDC and state agencies has created a better understanding of state and regional perspectives which, in turn, has led to better strategic alignment. A formalized communication system between the Montana Department of Commerce (MDOC) and SEMDC has enhanced capacity to deliver services and technical assistance to businesses throughout the region. Over time, this collaboration has made MDOC one of SEMDC's primary partners in business development and assistance.

State funding to SEMDC and other organizations represents another avenue for collaboration and an opportunity for further alignment. In accordance with Montana legislation, state economic development programs use a regionalized service delivery model where EDDs like SEMDC provide services that complement those of local governments.

An example of one of these programs is SEMDC's regionalized economic service delivery implemented in collaboration with MDOC's Certified Regional Development Corporations (CRDC) program.⁴ The program offers annual funding for economic development services including personnel and operating expenses to support the region and allows regional organizations such as SEMDC to offer economic and community development services. The state is intermittently involved in providing these services, both through funding and being present in community meetings and business assistance sessions.

The services include:

- **Business Services:** SEMDC provides basic coaching and counseling to new and existing businesses (e.g., helping businesses draft and communicate their plans) through the regional Small Business Development Centers (SBDC).
- **Financial Services:** SEMDC manages four EDA-funded revolving loan funds and leverages state and other funds to support business assistance. Banks serve as partners for these activities, collaborating with SEMDC to manage financial programs in ways that avoid direct competition.
- **Community Services:** Identified as SEMDC's biggest tool, activities also include a community services division that reaches out to localities in the four-county region to generate feedback.
- **Advocacy:** SEMDC hosts events and training sessions alongside elected officials from governments at the local, state, and federal level, and has more recently leveraged its marketing programs to assist business recruitment efforts.

Despite a robust collaborative delivery system for small business services, SEMDC sees opportunity for improvement in the EDD-state relationship, including increased alignment in such areas as broadband and childcare. However, SEMDC's limited staff capacity can hamper the ability to report results and meet performance goals.

4. Montana.Gov. (2023). *Certified Regional Development Corporations*. <https://business.mt.gov/Business-Assistance/Certified-Regional-Development-Corporations/>

LESSON 4.3 - STATES AND EDDS

COLLABORATIVELY MAP ASSETS AND LIMITATIONS TO CREATE ACHIEVABLE, IMPLEMENTABLE GOALS.

States and regions that integrate business development efforts can enhance their competitiveness, often resulting in increased regional or state economic growth and resilience. This can often begin with the mapping of state and regional assets and a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis, with the goal of identifying each party's respective value propositions.

One example of this is the success of the Mid-Shore Regional Council (MSRC), which has a history of intentional alignment with the State of Maryland in business development activities. MSRC, one of five regional councils (and one of three regions with U.S. Economic Development Administration-designated EDDs) in the state, collaborates with the state on business development and assistance activities to provide regional funds and resources to promote rural development.

CASE STUDY

Working with the State to Advance Rural Business Development

Mid-Shore Regional Council and the Maryland Department of Commerce

MSRC's EDD-State relationship began about 16 years ago and has grown, in part, because Maryland Department of Commerce (MDDC) staff share offices with MSRC and their partners. This proximity facilitates strategy discussions and project cooperation between the MSRC and MDDC. For instance, the state has been a co-investor of MSRC and has helped the regional organization in securing U.S. Economic Development Administration (EDA) funding.



MSRC and the State of Maryland align their business development activities in a variety of ways. One example is the state-funded Rural Maryland Council, which collectively addresses the needs of rural Maryland communities. Membership on the Council includes representatives from the five regional councils and regional MDDC staff.⁵ One recent business development and assistance success for the Council was the establishment of the Rural Maryland Prosperity Investment Fund Grant, which aimed to increase the standard of living in rural Maryland while maintaining a rural cultural heritage and way of life. Councils were eligible applicants for this state-funded initiative.⁶

In addition to ecosystem building and collaboration, MSRC and the state collaborate to provide technical assistance in support of business development and assistance efforts. A recent example involves a business resiliency initiative during the COVID-19 pandemic. MSRC used EDA funding to develop dashboards that included information such as tourism activities, tax revenues, manufacturing, and the COVID-19 impact on businesses in the Delmarva area of eastern Maryland. Using the expertise resulting from these efforts, MSRC then sought to help the MDDC expand the project as the state received funding to create similar dashboards for other regions across the state.

Despite MSRC's strong alignment with the state, the EDD still faces barriers in the relationship. The needs of the state's larger urban areas often overshadow those of this more rural region. Consequently, state leaders are less likely to be aware of and address issues in the Mid-shore region. MSRC works to overcome such barriers by networking to elevate the region's needs for funding and to be a resource for collaboration. Today, due in part to its strong partnerships with the state and other stakeholders, the Mid-Shore Regional Council continues to provide business development and assistance services to its communities.

This report was prepared by the Center for Regional Economic Competitiveness using Federal funds under award ED21HDQ3070060 from the Economic Development Administration, U.S. Department of Commerce. The statements, findings, conclusions, and recommendations are those of the author(s) and do not necessarily reflect the views of the Economic Development Administration or the U.S. Department of Commerce.

5. Rural Maryland Council. (2023). <https://rural.maryland.gov/>

6. Rural Maryland Council. (2023). "Fiscal Year 2023 Rural Entrepreneurship Development: Rural Maryland Prosperity Investment Fund Grant Guidelines and Criteria." <https://rural.maryland.gov/wp-content/uploads/sites/4/2022/04/FY2023-RMPIF-Rural-Entrepreneurship-Grant-Guidelines-and-Criteria-4.8.2022.pdf>