
Regions Charting New Directions: Metropolitan Business Planning

South Bend Economic Summit

June 21, 2012

Robert Weissbourd

Agenda

➤ Drivers of the Next Economy

➤ “Metro-Economics”

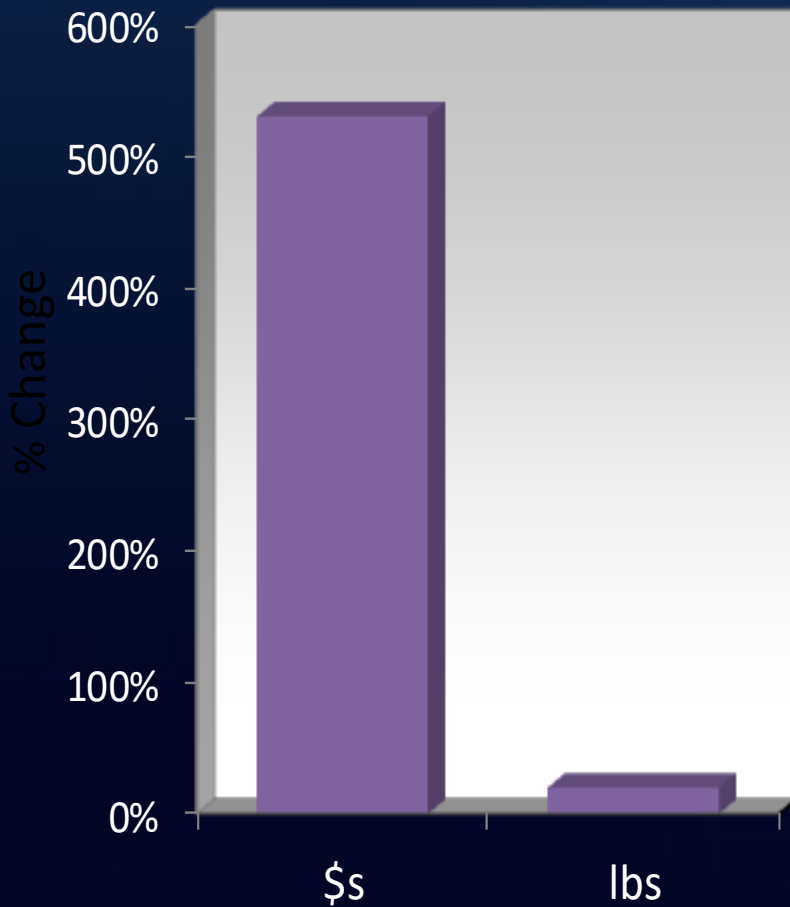
➤ Metropolitan Business Planning (from theory to practice)

➤ Understanding Your Economy

➤ Key Lessons and Discussion

The Global Economy is Undergoing a Fundamental Transformation, Driven by Knowledge Assets

GDP Growth, 1950-2000

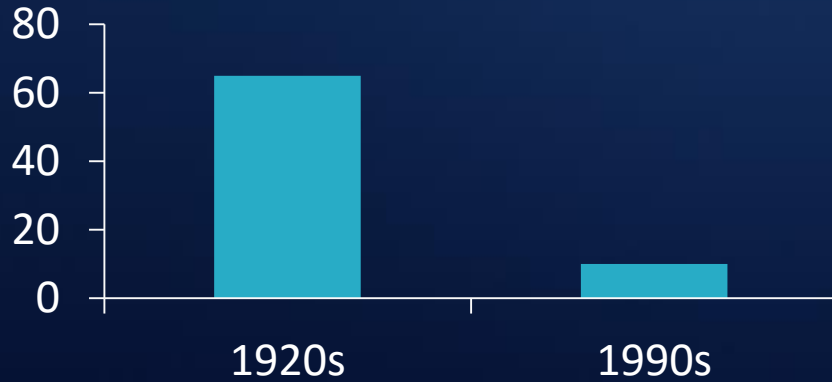


- Human Capital
- Information technologies
- Product innovation; flexible customization
- Firm, consumer and knowledge networks
- Increasing returns; divergence

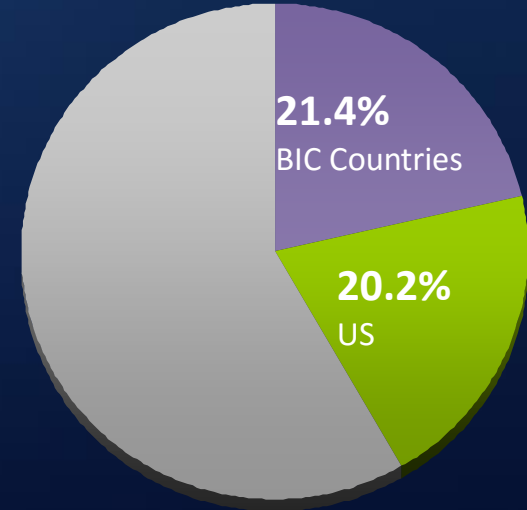


As a Result, the Economy is More Dynamic -- and Global

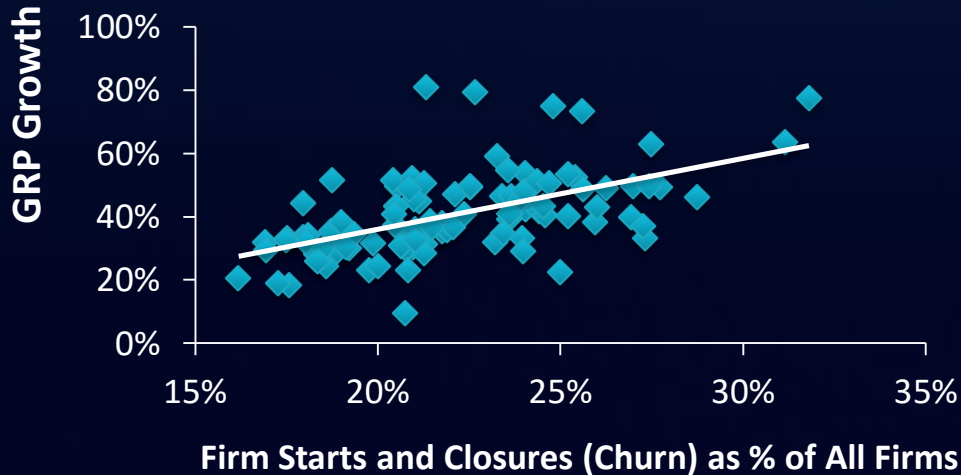
Years Spent on the S&P Index



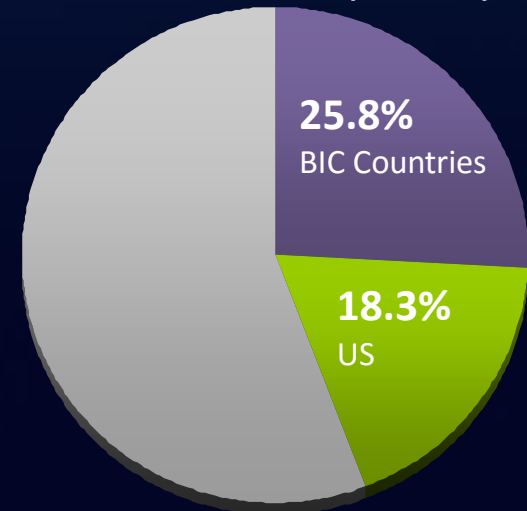
Global GDP (2010)



Churn and GRP Growth by MSA



Global GDP (2015)

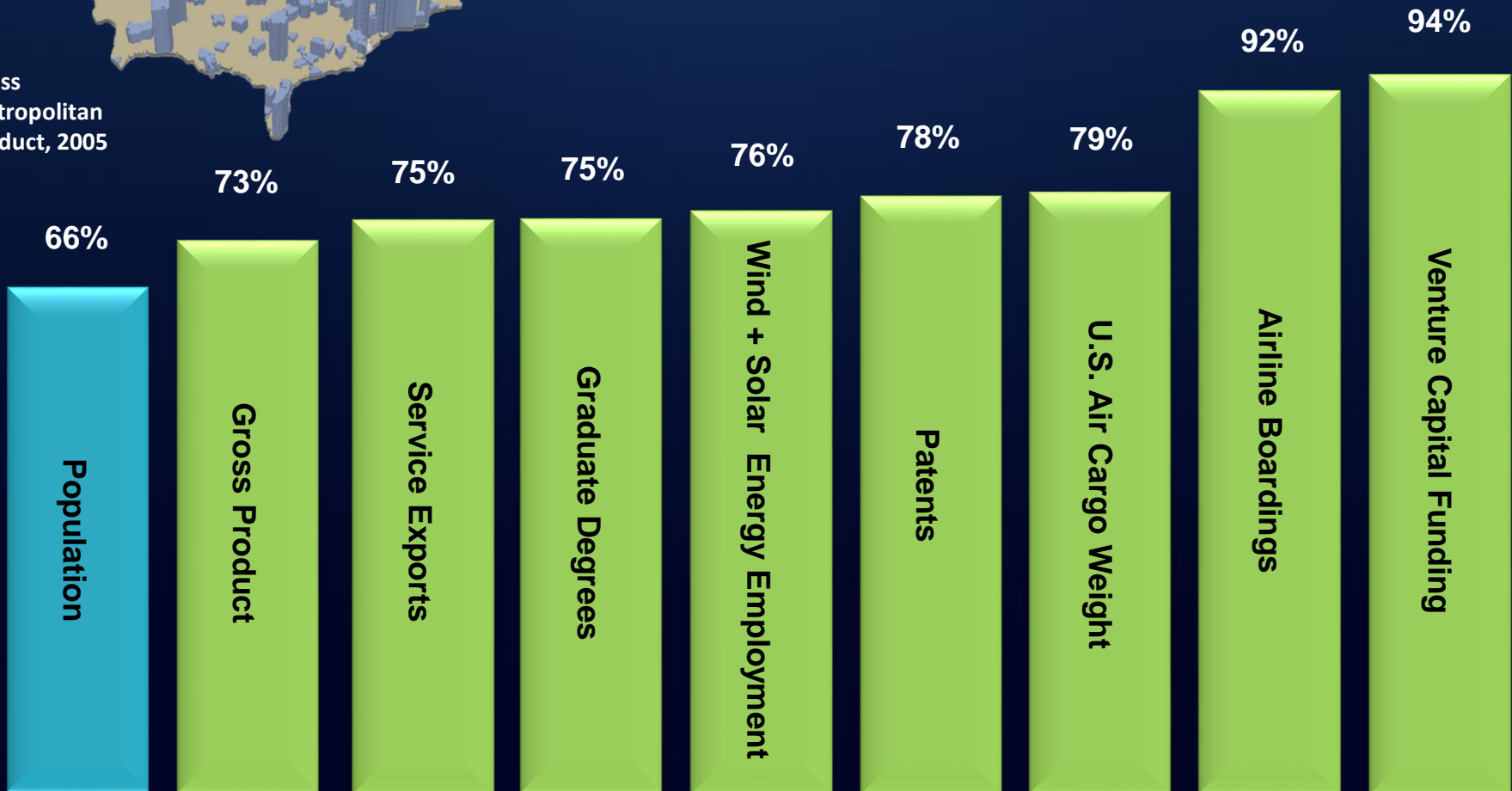


...and Centered in Metropolitan Areas



Gross Metropolitan Product, 2005

Top 100 Metros Share of U.S. Total



Sources: Brookings analysis of US Census Bureau, FAA, BLS, NIH, NSF, and BEA data; Brookings, ExportNation, 2010 (2008 data); Forthcoming research from Brookings and Battelle

Agenda

➤ Driver's of the Next Economy

➤ "Metro-Economics"

➤ Metropolitan Business Planning (from theory to practice)

➤ Understanding Your Economy

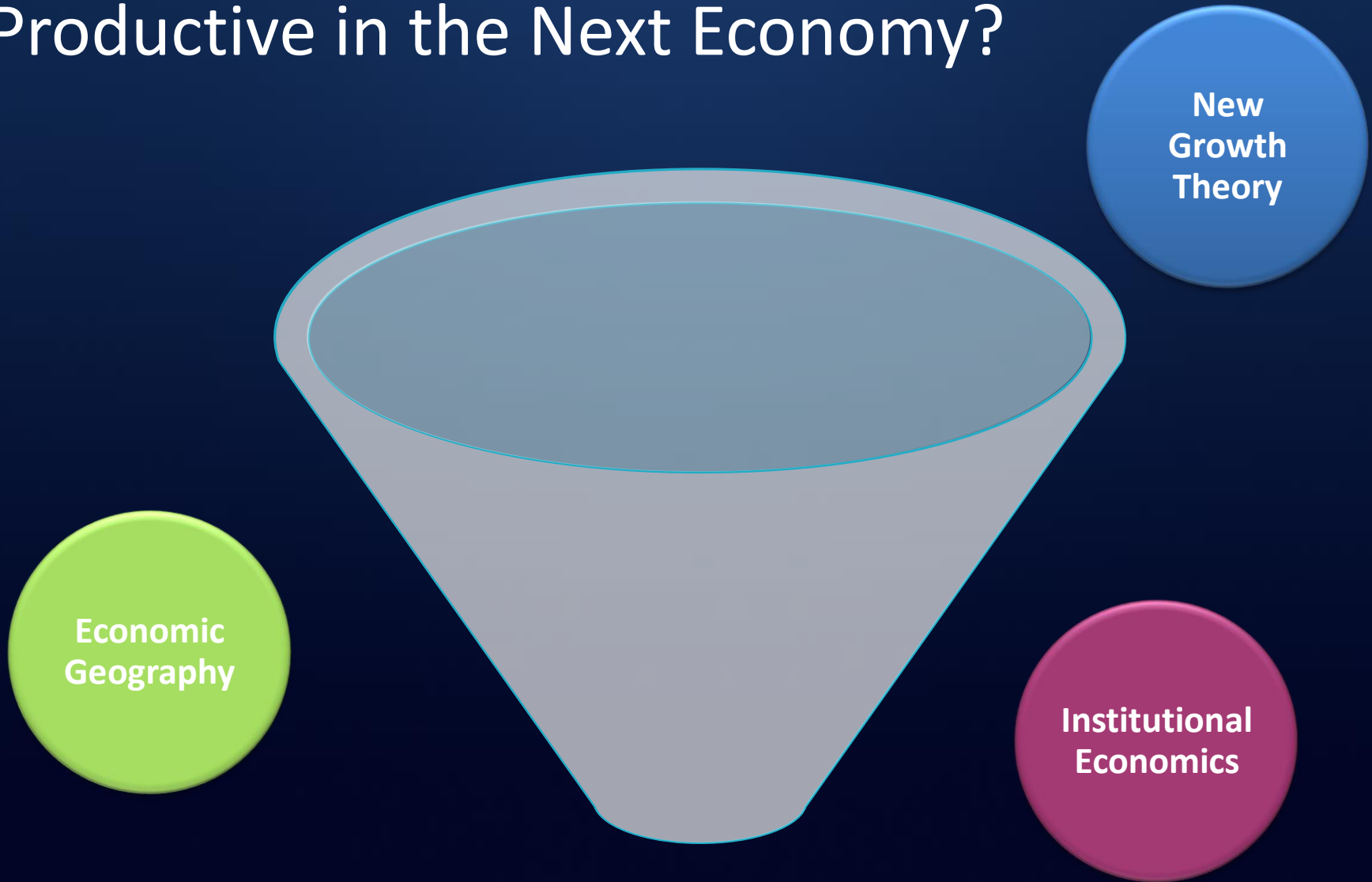
➤ Key Lessons and Discussion

How Metro Economies Grow

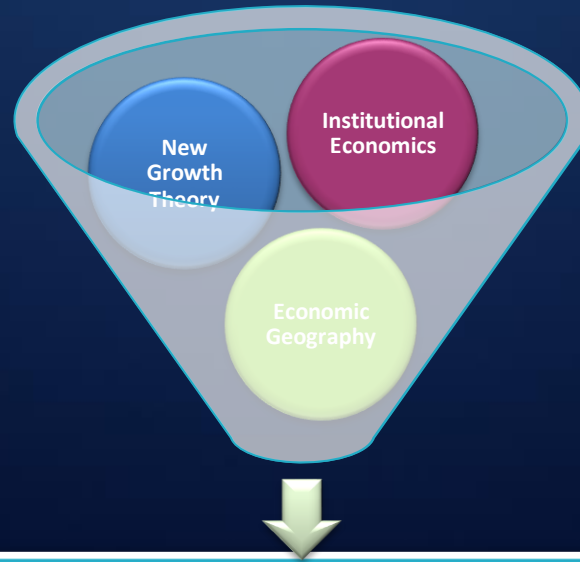
- ❖ Metro economy = total value of goods and services produced in the region
- ❖ Growth is inherently business sector growth (number, size and profitability of firms)
- ❖ Business sector grows through firm creation, growth and location decisions (retention and attraction)
- ❖ Firm creation, growth and location depend upon increases in efficiency and productivity (of firm and system, including product innovation)

Core Question: What attributes of the region increase efficiency and productivity, leading to business sector growth?

What Makes Metropolitan Regions more Productive in the Next Economy?



Metros Can Enable People and Firms to Concentrate and Achieve Efficiencies



Act Comprehensively – The Whole is Greater than the Sum of the Parts.

Customize and Build on Distinctive Assets.

Develop Institutional Capacity and Intentionality.

Five Market Levers Drive Regional Economic Performance

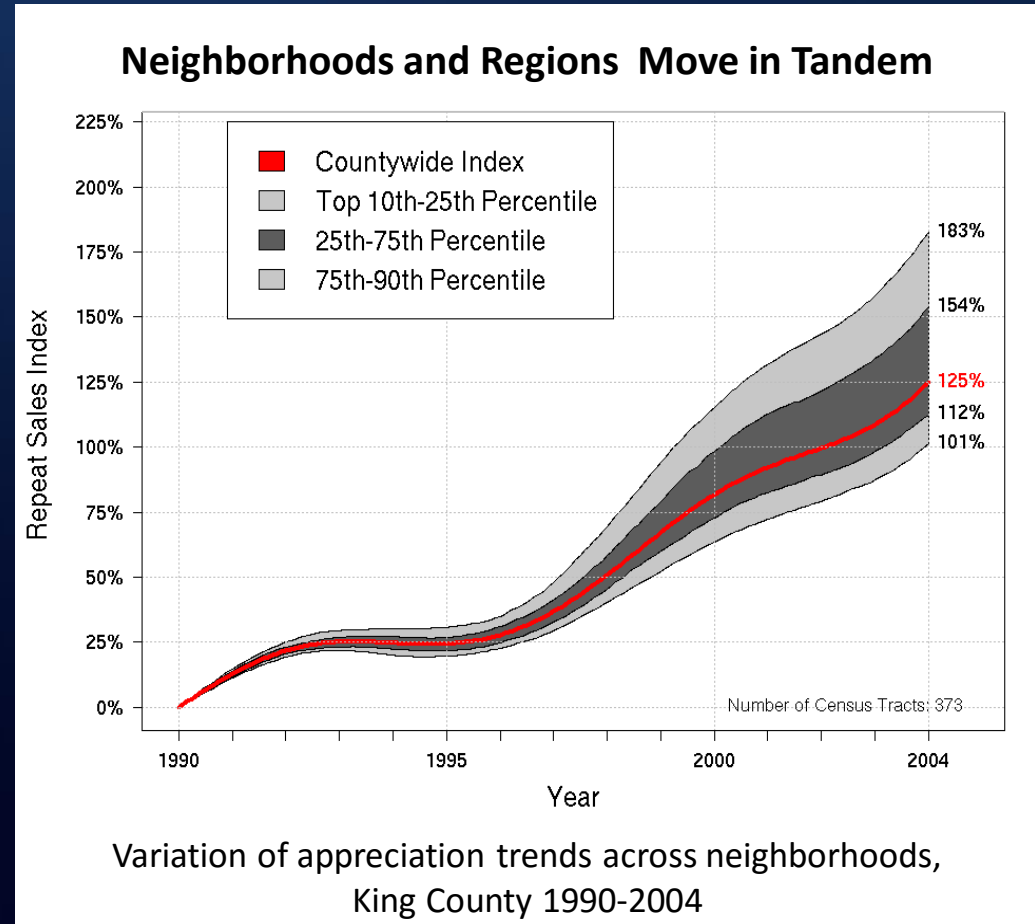
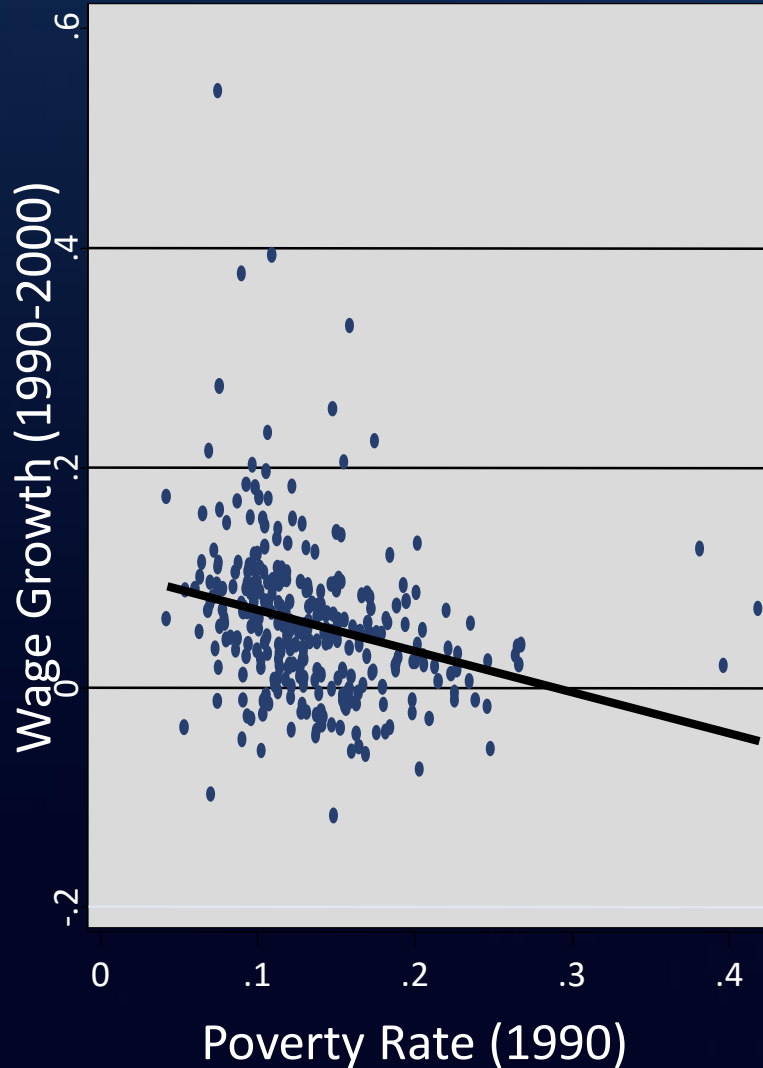




“... poverty has no causes. Only prosperity has causes. Analogically, heat is a result of active processes; it has causes. But cold is not the result of any processes; it is only the absence of heat. Just so, the great cold of poverty and economic stagnation is merely the absence of economic development. It can be overcome only if the relevant economic processes are in motion.”

-- Jane Jacobs

Equity and Opportunity are Good for Business



The Pieces of Economic Development ...

Infrastructure



Sustainability



Housing



Workforce Training



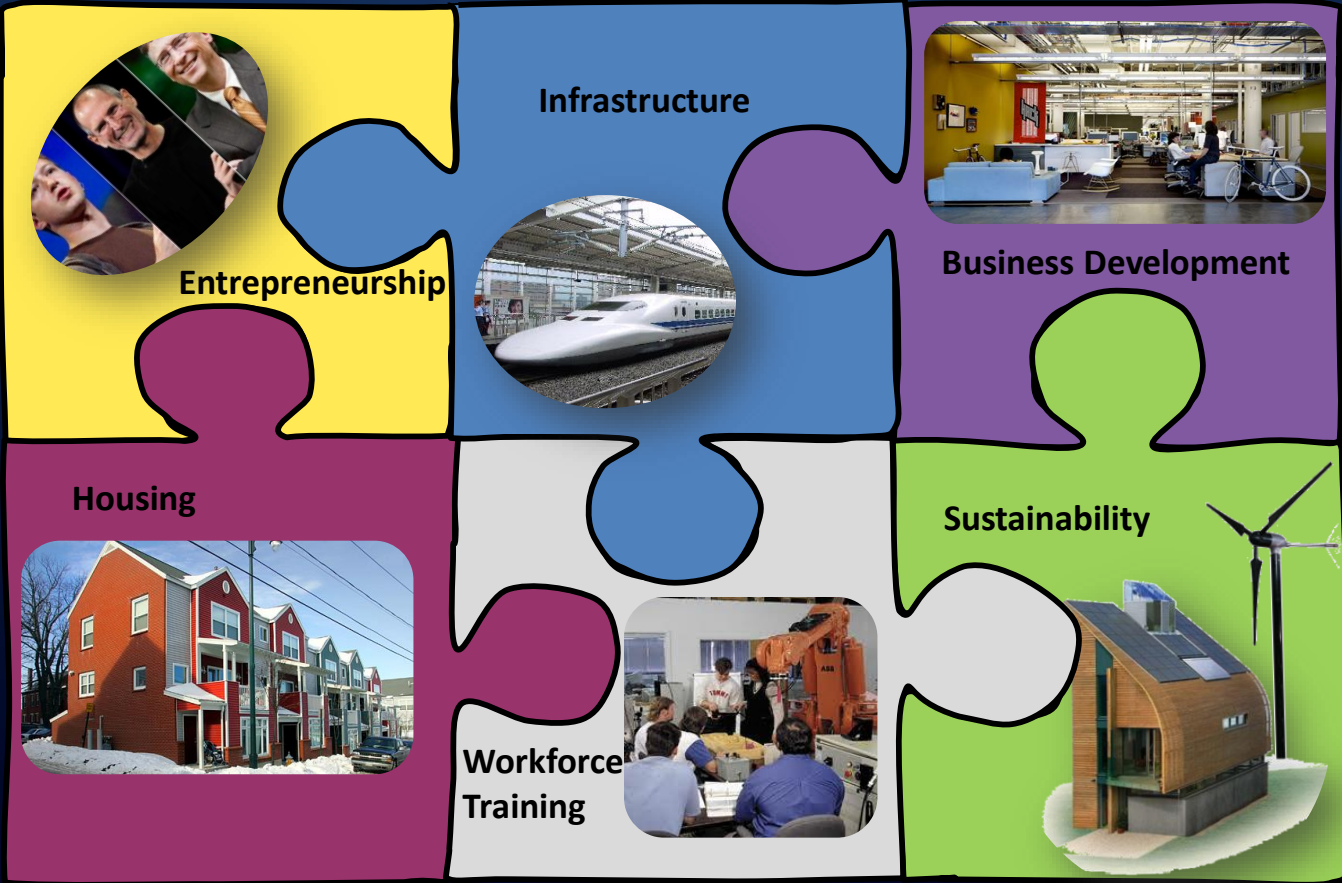
Entrepreneurship



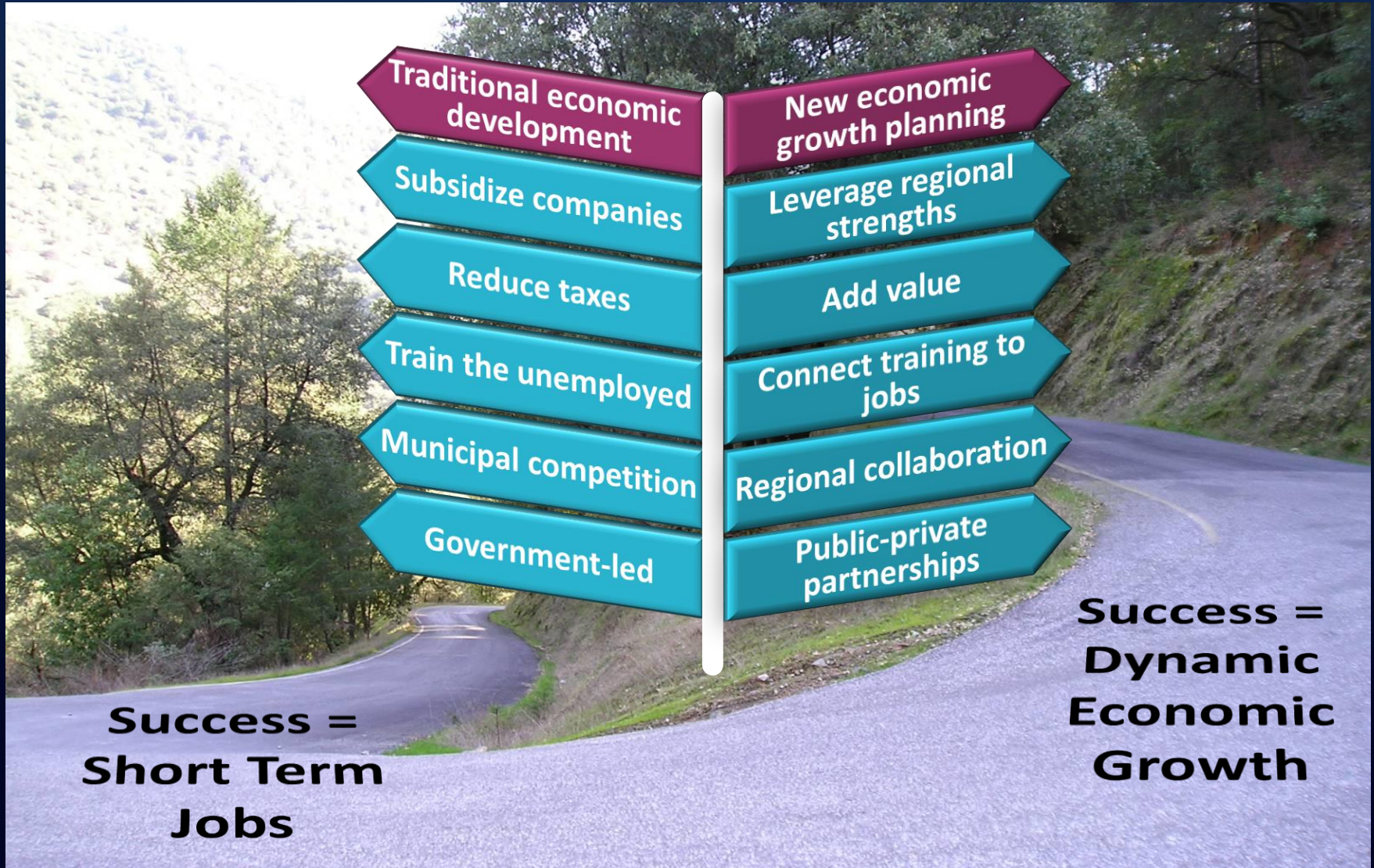
Business Development



Succeed or Fail “In Context” of Each Other



New Approaches for the Next Economy



**Success =
Short Term
Jobs**

**Success =
Dynamic
Economic
Growth**

Agenda

➤ Driver's of the Next Economy

➤ "Metro-Economics"

➤ **Metropolitan Business Planning (from theory to practice)**

➤ Understanding Your Economy

➤ Key Lessons and Discussion

Metropolitan Business Planning: A New Way of Doing Business

◎ **Grounded in Economics and Business**



◎ **Comprehensive, Actionable Strategies**



◎ **NOT Plans — Enterprises**



◎ **Continuous Process and Improvement**

Business Planning: A Proven Discipline for Comprehensive, Effective Action

- ❖ **Identify regional assets/opportunities**
- ❖ **Develop customized strategies**
- ❖ **Turn strategies into concrete actions**
- ❖ **Build institutional capacity**
- ❖ **Execute**

Metropolitan Business Planning

Regional Economy Mission and Vision

Market Analysis

Identify Strategies and Goals

Specify Products, Services and Policies

Operational Planning

Financial Planning

Performance Monitoring

Pilot Metro Business Planning Regions



**The Prosperity Partnership
Metropolitan Business Plan**

Puget Sound Regional Council
PSRC

Bluegrass Economic Advancement Movement



**Metropolitan Business Planning
All Teams Meeting
April 12, 2012**

Metropolitan Business Plan for Memphis/Shelby County
A Project of the Brookings Institution Metropolitan Policy Program


Discussion Draft November 2011



**Northeast Ohio's Regional
Business Plan**



GREATER PHOENIX REGION
Metropolitan Business Plan Initiative - All Teams Meeting April 2012



MARICOPA ASSOCIATION OF GOVERNMENTS Greater Phoenix ECONOMIC COUNCIL

**Metropolitan Business
Planning Initiative**
Minneapolis Saint Paul

May 13, 2010

ITASCAproject Urban Land Institute Minnesota Regional Government of Minnesota POSITIVELY Minnesota TARGET

**CenterState Metropolitan
Business Plan** 4.12.12

LEAD INITIATIVES


Driving New Innovations in Data to Decisions



Building a World-Class Innovation Ecosystem



**A Plan for
Economic
Growth
and Jobs**



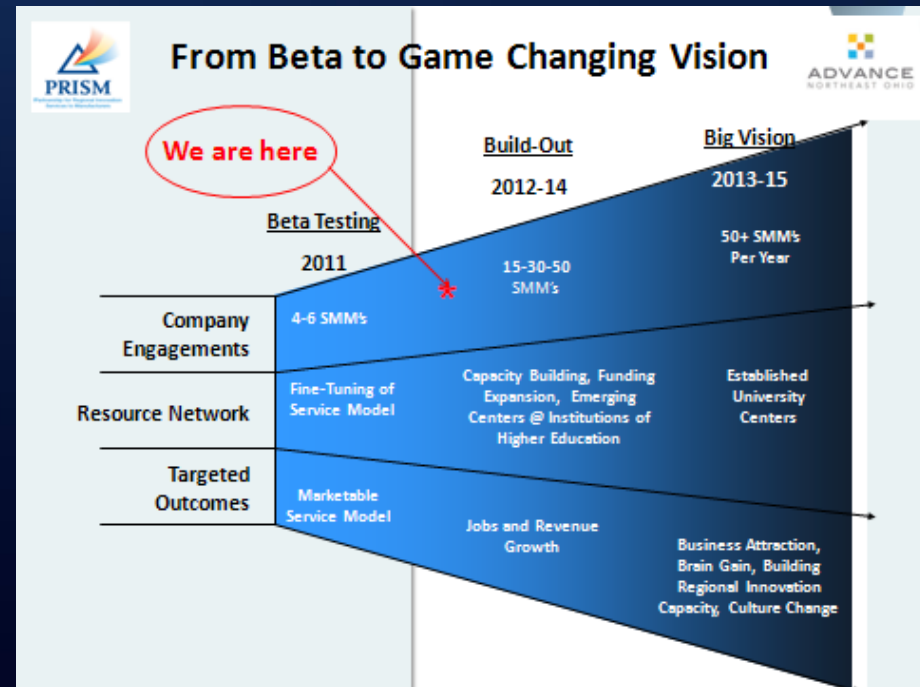
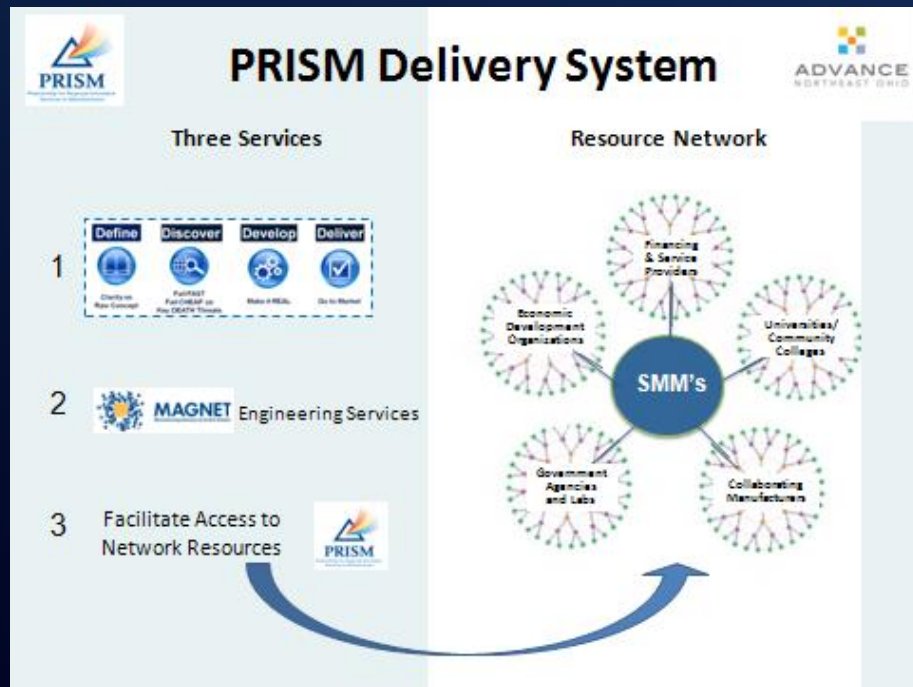
**WORLD
BUSINESS
CHICAGO**

March 2012
Draft Update

Metropolitan Business Plans in Action

Northeast Ohio

Partnership for Regional Innovation Services in Manufacturing (PRISM)



Metropolitan Business Plans in Action

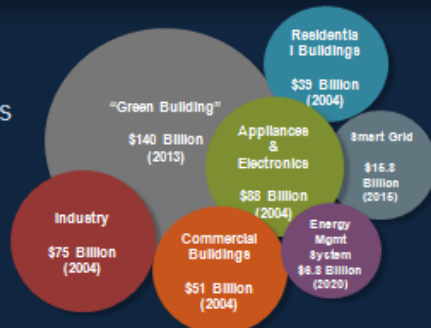
Puget Sound (Seattle)

Building Energy-Efficiency Testing and Integration Center (BETI)

Strategic focus: The huge and growing energy efficiency opportunity

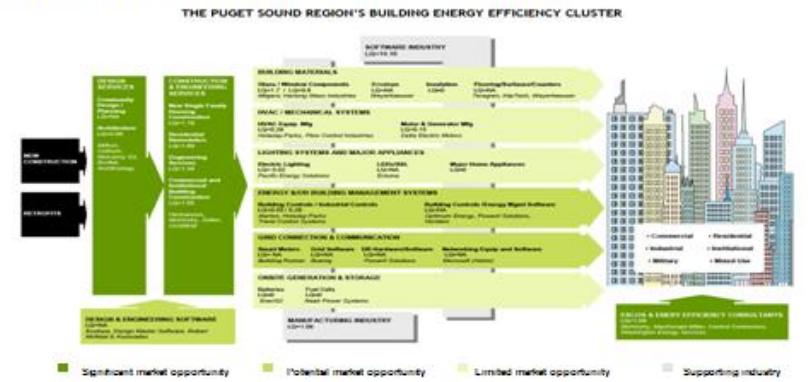


- **\$300 Billion** invested in energy efficiency technologies and infrastructure, U.S. market 2004
- **\$700 Billion** projected U.S. spending in 2030

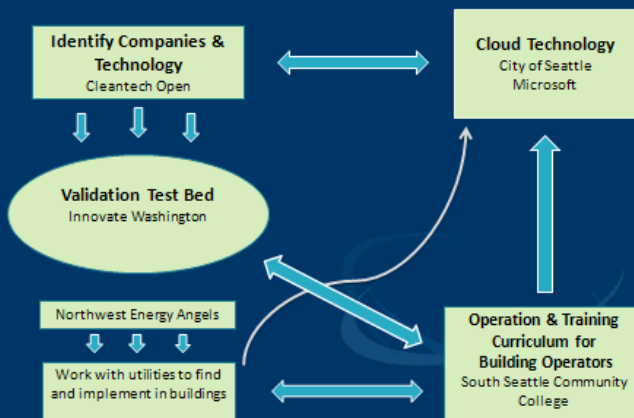


PUGET SOUND INDUSTRY ASSETS

Industry Segments and Strengths



Energy Efficiency Market Ecosystem



What we've done so far:

- | Structure | Testing System: | Innovators & Technology |
|---|--|--|
| <ul style="list-style-type: none"> • Created Innovate Washington Foundation • Cemented partnership • i6 Grant navigation | <ul style="list-style-type: none"> • Microsoft & SCL • Pilot partner profile • Recruiting • Distributive test bed • Adjusting scope | <ul style="list-style-type: none"> • 38 companies & technology Ided • Mentors assigned |

Developing Institutional Capacity

- ❖ Engage stakeholders across public, private and civic sectors
- ❖ Iterate analysis/strategy and institutional development
 - ❖ High-level (e.g., C-suite) leadership group/steering committee
 - ❖ Day-to-day (staff-level) working teams
 - ❖ Expert/business/practitioner teams for specific strategies and initiative development
 - ❖ Strategy is coordinated; Implementation is distributed



Agenda

➤ Driver's of the Next Economy

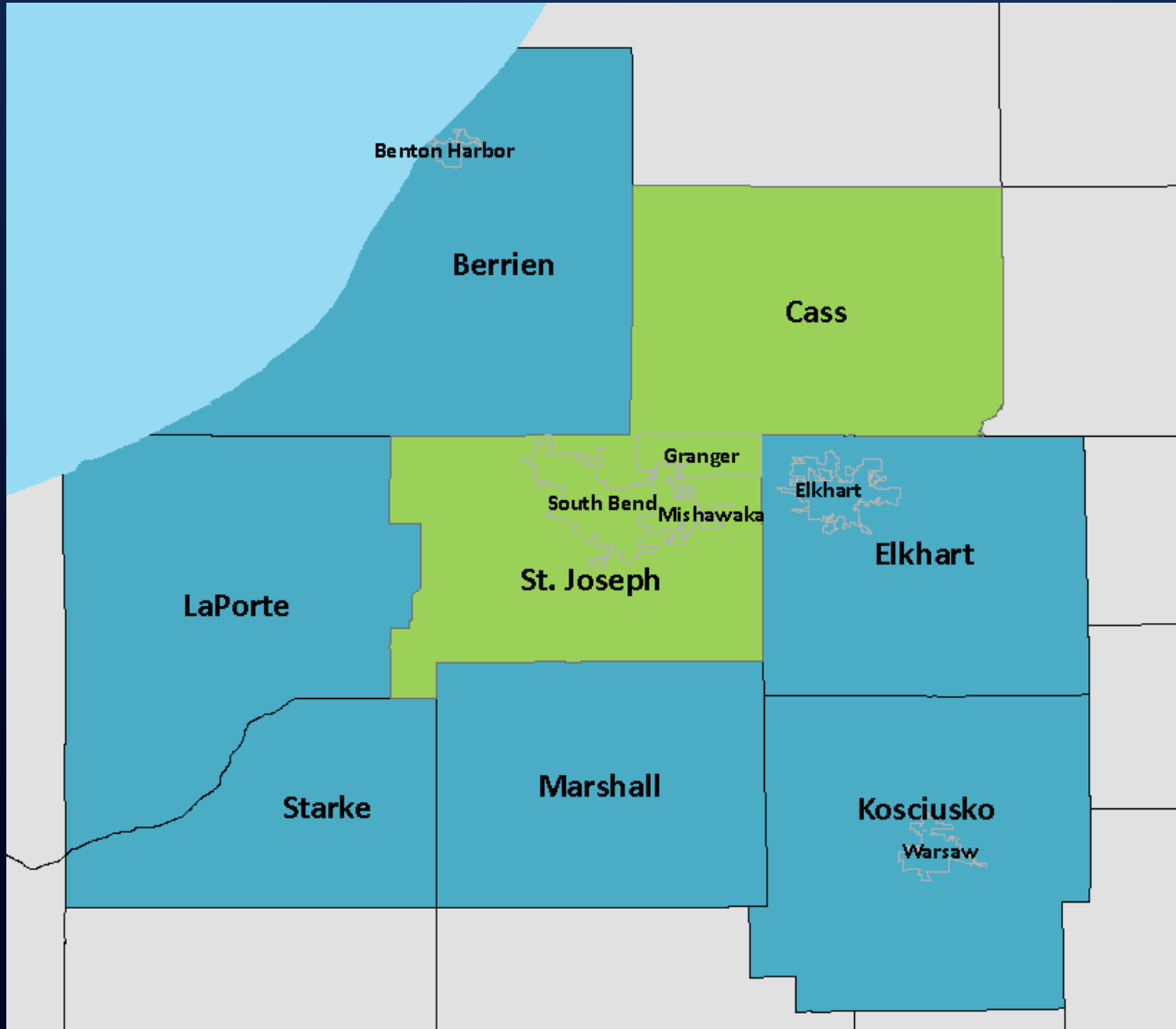
➤ "Metro-Economics"

➤ Metropolitan Business Planning (from theory to practice)

➤ Understanding Your Economy

➤ Key Lessons and Discussion

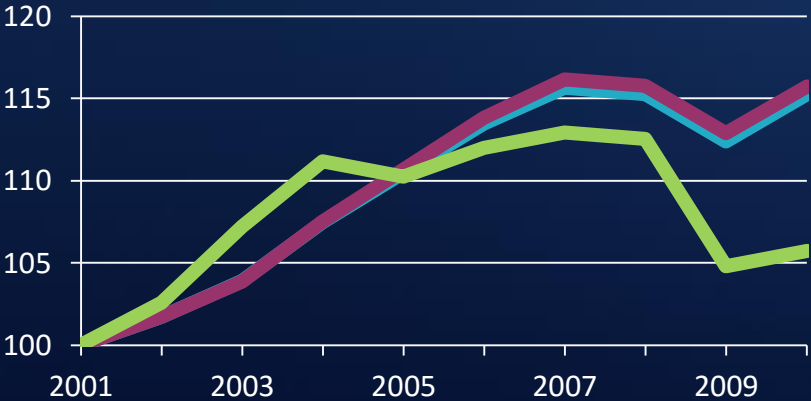
Understanding the South Bend Region's Economy



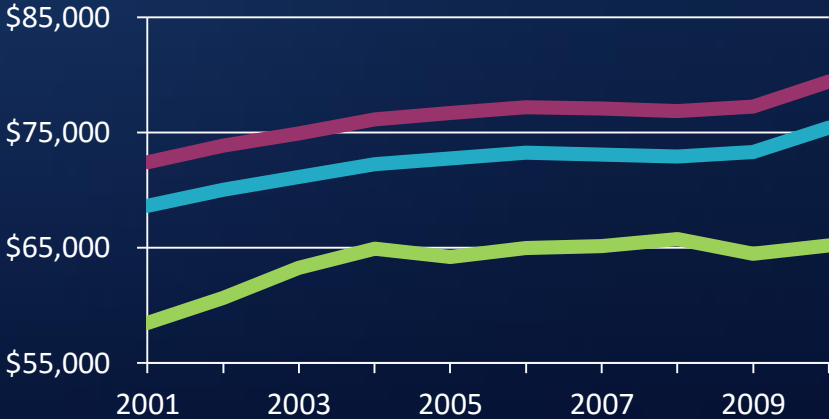
- South Bend MSA
- Rest of "Michiana"

The Big Picture: Restructuring?

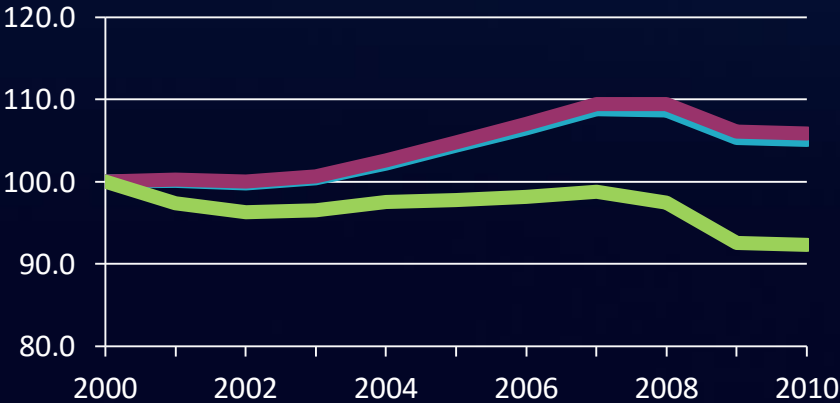
Real GRP/GDP
(Indexed to 2001)



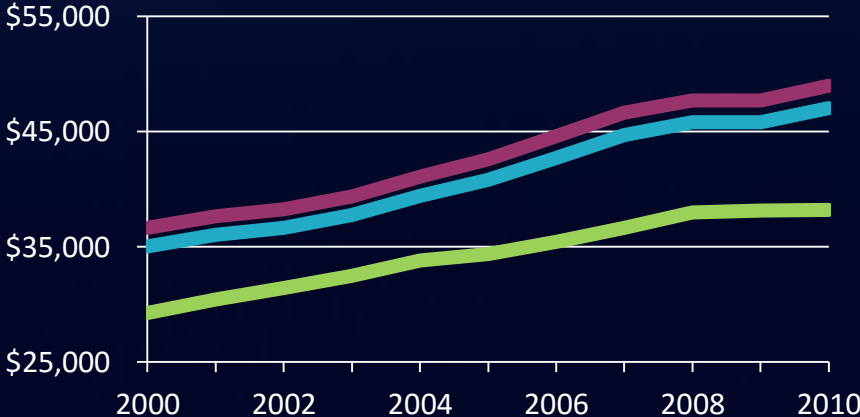
Productivity (Output per Worker)



Employment
(Indexed to 2000)

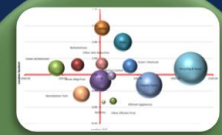


Average Annual Wage

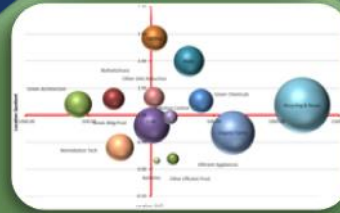


■ South Bend MSA
 ■ USA
 ■ All Metros

Source: Bureau of Economic Analysis; Bureau of Labor Statistics



Enhance
Regional
Concentrations/
Clusters



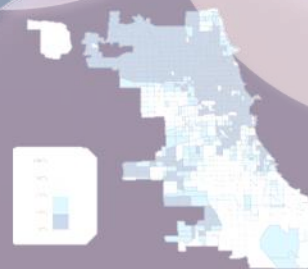
Enhance
Regional
Concentrations/
Clusters

Create Effective
Public & Civic
Culture &
Institutions



Leverage
Points
for Sustainable
and Inclusive
Prosperity

Deploy
Human Capital
Aligned with
Job Pools



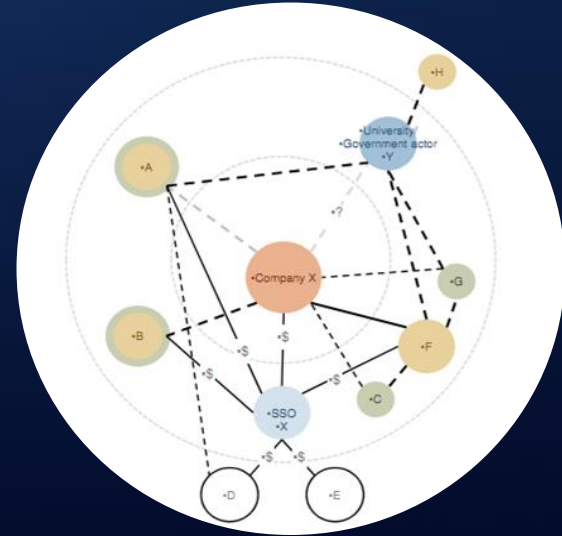
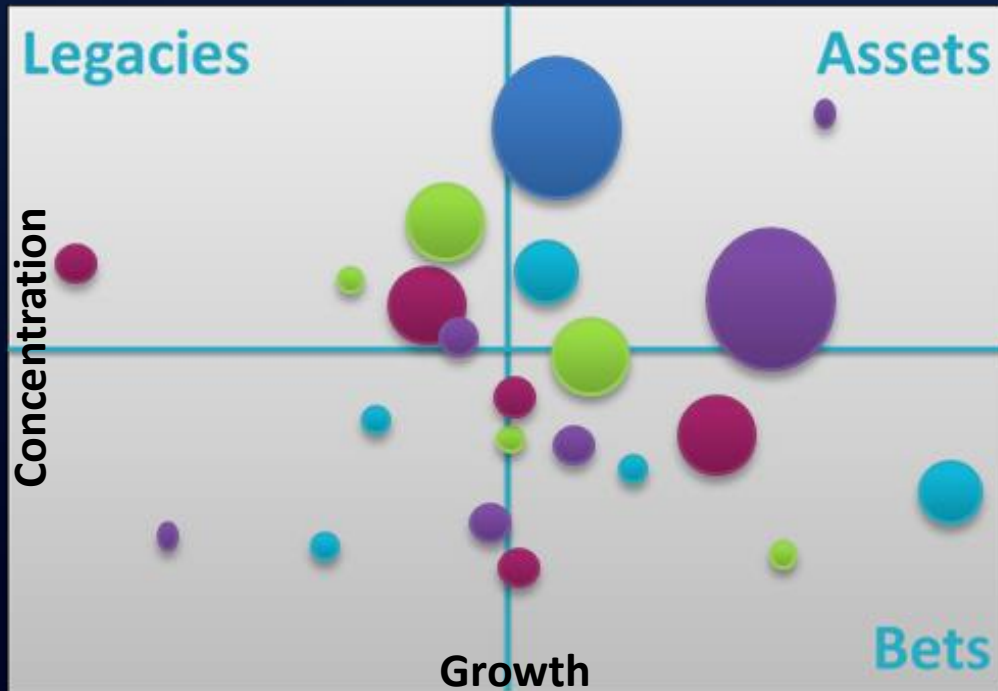
Increase
Spatial
Efficiency



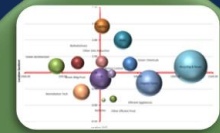
Develop
Innovation-
Enabling
Infrastructure

Analyzing Clusters

- ❖ Current Concentrations: Assets, Legacies and Bets
- ❖ Cluster Dynamics and Drivers
- ❖ Cluster Organization



Opportunities to Target, Redeploy



Enhance
Regional
Concentrations/
Clusters

Concentration in Region

Legacies? (3-digit NAICS, employment)

Manufacturing

- Concentrations in primary and fabricated metals, machinery, electrical, chemical, transportation equipment, plastics
- Connections to nearby orthopedic devices and RV/manufactured housing clusters?
- Specific sub-segments growing?

Assets

Education

- Leverage university strengths to support private sector?

Communications Technology

- High employment growth; High LQ; high wage; high productivity; low absolute employment

Biotech/Life Sciences

- Tie in with hospitals or Notre Dame research?

Growth industries that build on South Bend assets?

Bets

Industry Growth



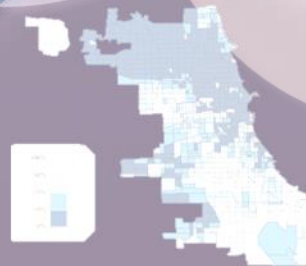
Enhance
Regional
Concentrations

Create Effective
Public & Civic
Culture &
Institutions



Leverage
Points
for Sustainable
and Inclusive
Prosperity

Deploy
Human Capital
Aligned with
Job Pools



Increase
Spatial
Efficiency



Develop
Innovation-
Enabling
Infrastructure

Deploy
Human Capital
Aligned with
Job Pools



Understanding Human Capital Dynamics

Deploy
Human Capital
Aligned with
Job Pools



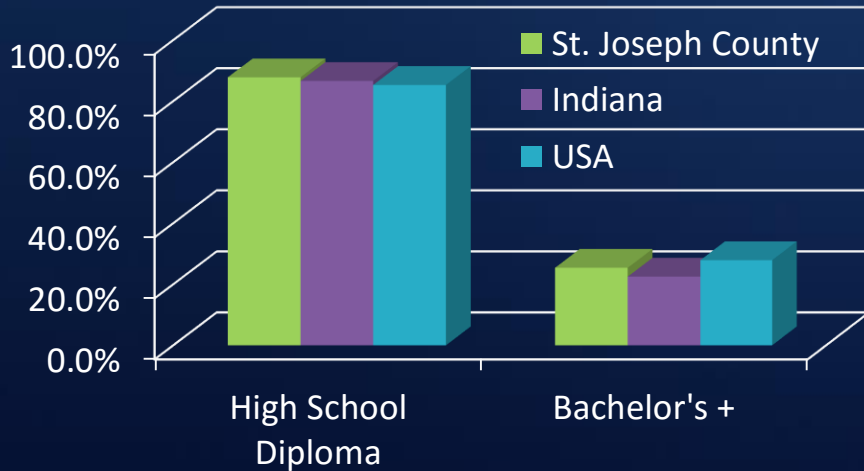
- ❖ Status, Attraction and Retention
- ❖ Segmentation, Skills Match and Labor Market Efficiency
- ❖ Opportunity and Mobility



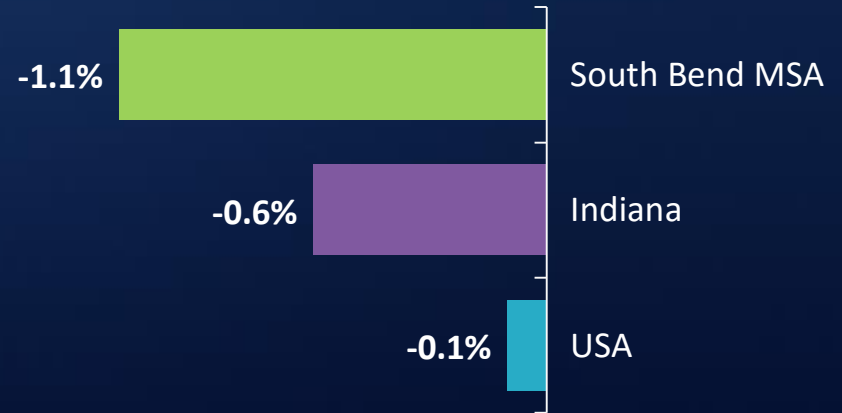
High-end Production, Weak Retention



Educational Attainment

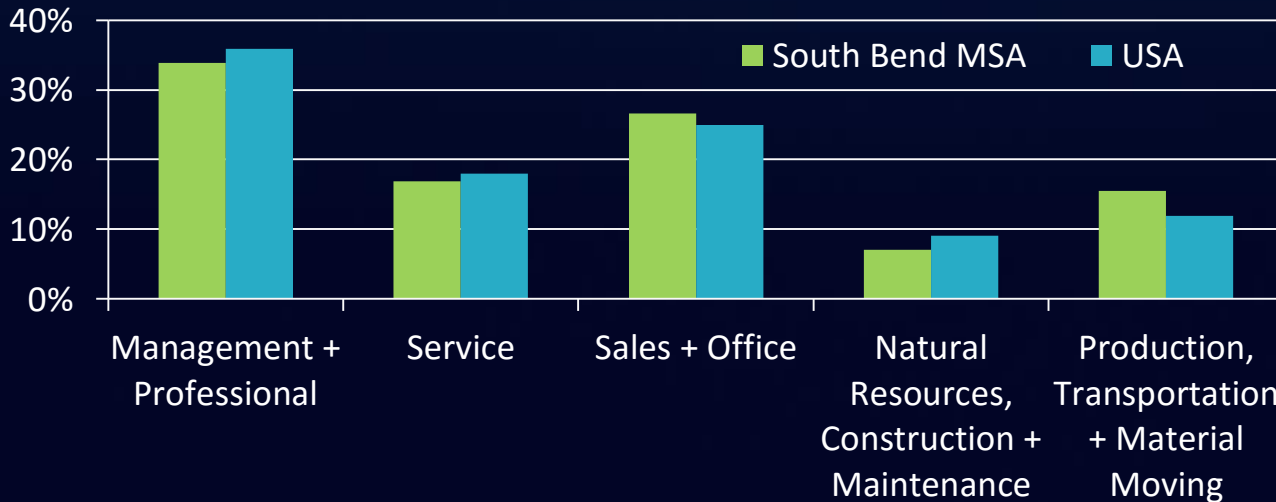


Growth in 25-44 Population, 1997-2009



16 Colleges and Universities → High Production of Human Capital

Occupation Share, 2010



**Skills mismatch?
Which jobs/
industries will
help retain recent
grads?**



**Develop
Innovation-
Enabling
Infrastructure**



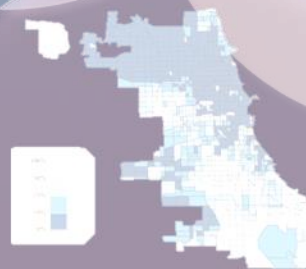
**Enhance
Regional
Concentrations**

**Create Effective
Public & Civic
Culture &
Institutions**



**Leverage
Points
for Sustainable
and Inclusive
Prosperity**

**Deploy
Human Capital
Aligned with
Job Pools**



**Increase
Spatial
Efficiency**

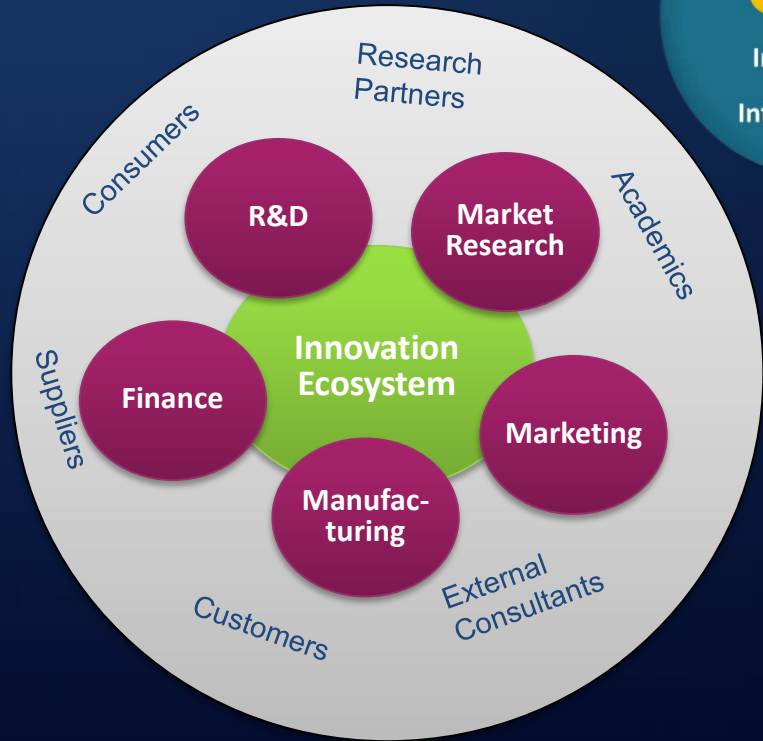


**Develop
Innovation-
Enabling
Infrastructure**

Cultivating Innovation



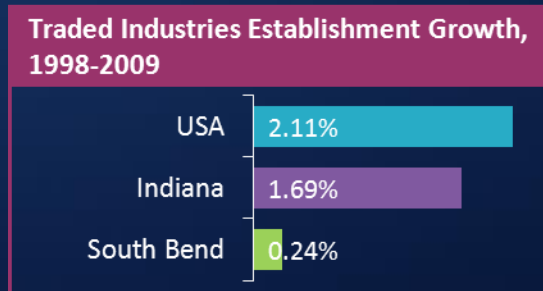
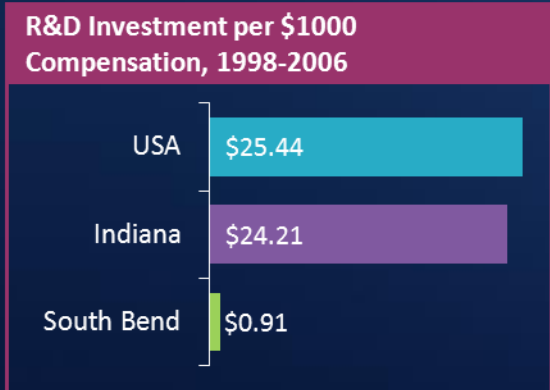
- ❖ Innovation Pipeline
- ❖ Cluster-based innovation
- ❖ Innovation ecosystem



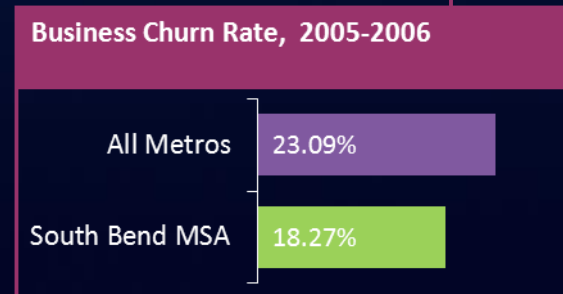
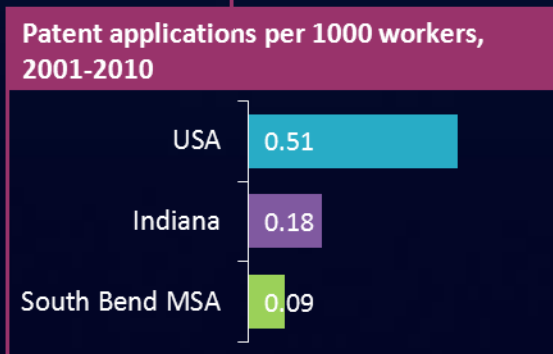
University/
Industry
driven
innovation



Weak Indicators Across Pipeline



University/
Industry
driven
innovation



Increase university
commercialization?
Explore cluster-based
innovation
opportunities?



Enhance
Regional
Concentrations

Create Effective
Public & Civic
Culture &
Institutions

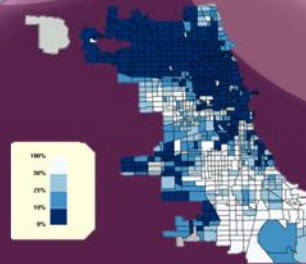


Leverage
Points
for Sustainable
and Inclusive
Prosperity

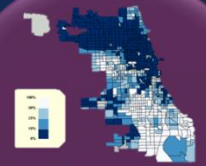
Deploy
Human Capital
Aligned with
Job Pools



Develop
Innovation-
Enabling
Infrastructure



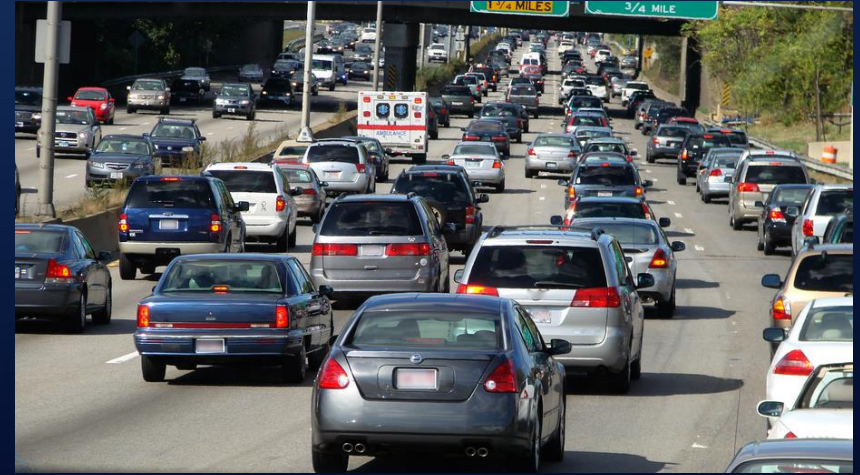
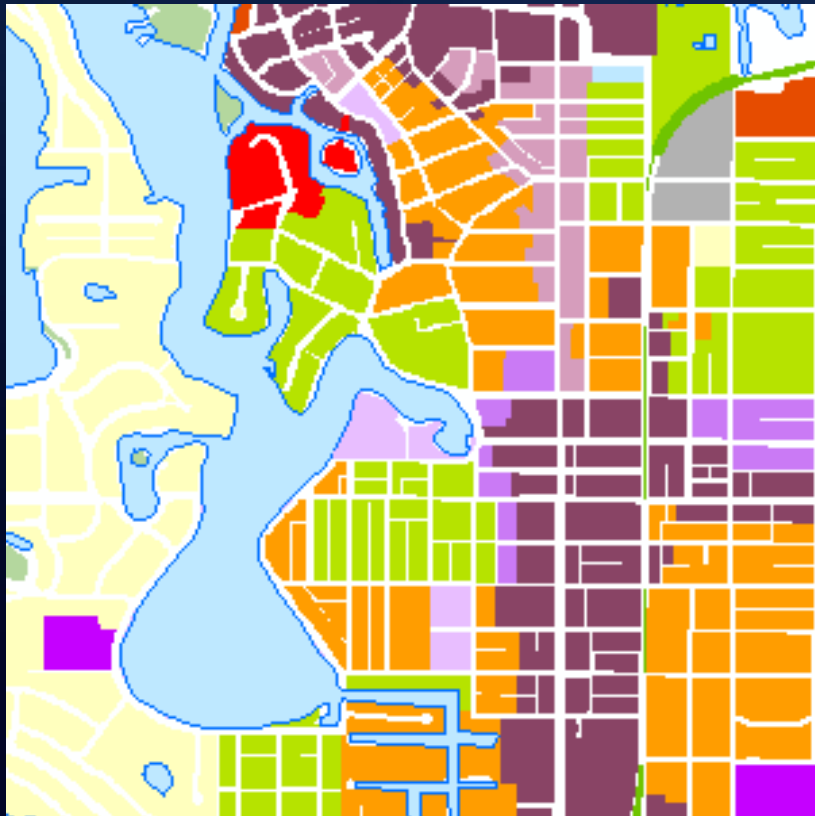
Increase
Spatial
Efficiency



Increase
Spatial
Efficiency

Enhancing Spatial Efficiency

- ❖ Urban Growth Form
- ❖ Connectedness and Mobility



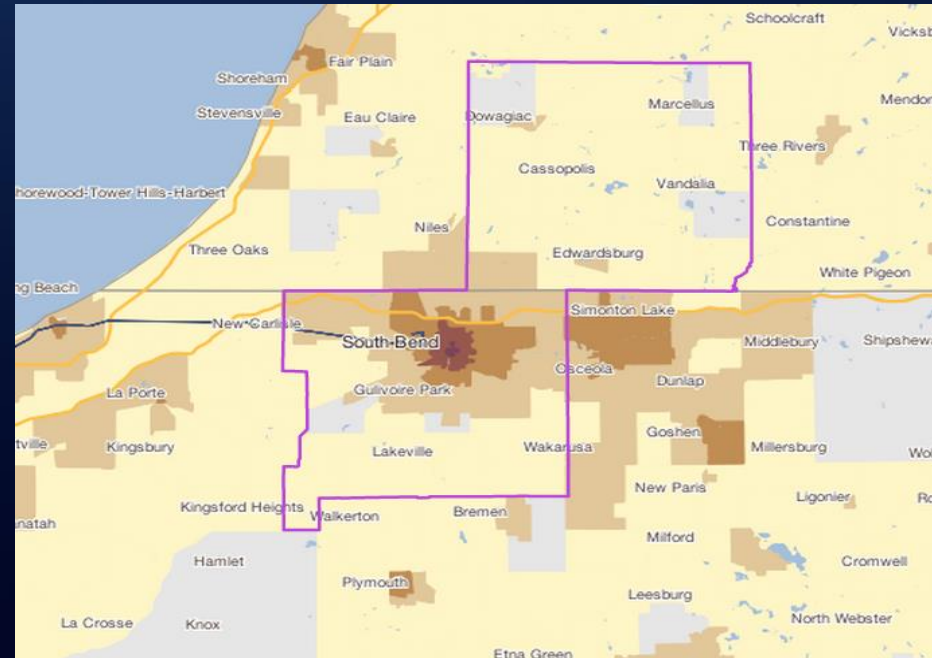
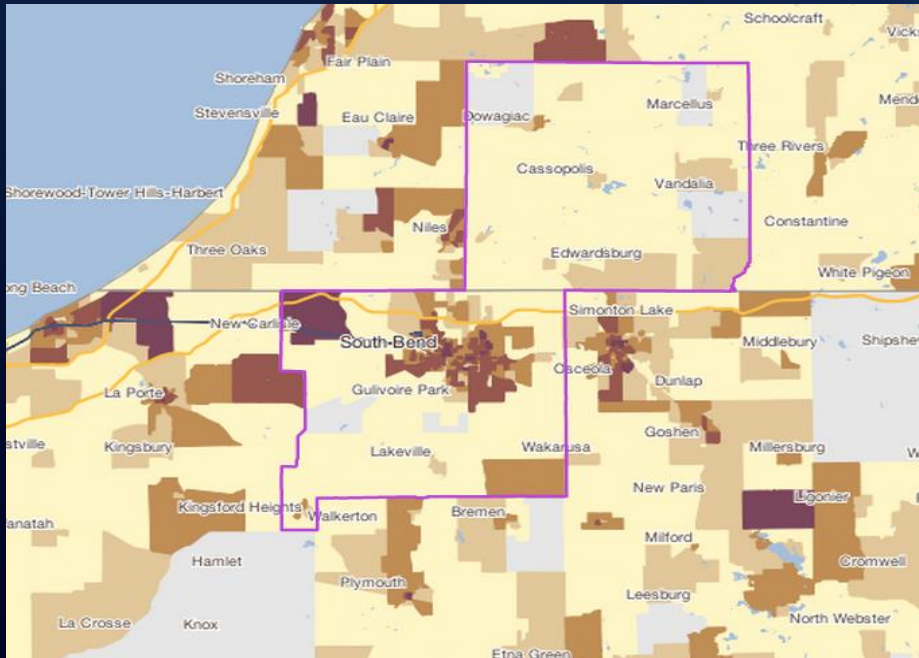
Strong Transportation Assets and Relatively Dense



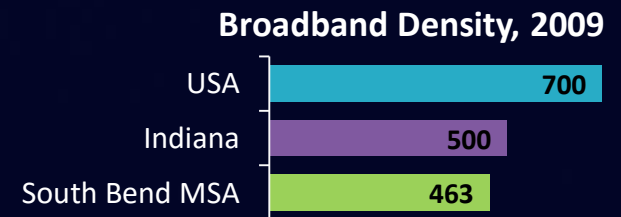
South Shore Line South Bend Airport
TRANSPO St. Joe Valley Metronet

Residential Density

Employment Density



Connections across broader region?
 Jobs-housing mismatch?



Create Effective
Public & Civic
Culture &
Institutions



Enhance
Regional
Concentrations

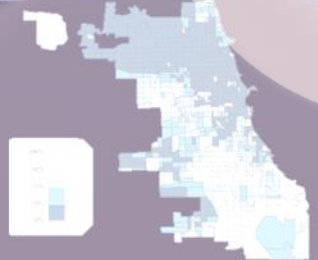
Deploy
Human Capital
Aligned with
Job Pools



Create Effective
Public & Civic
Culture &
Institutions



Leverage
Points
for Sustainable
and Inclusive
Prosperity



Increase
Spatial
Efficiency



Develop
Innovation-
Enabling
Infrastructure

Achieving Good Governance

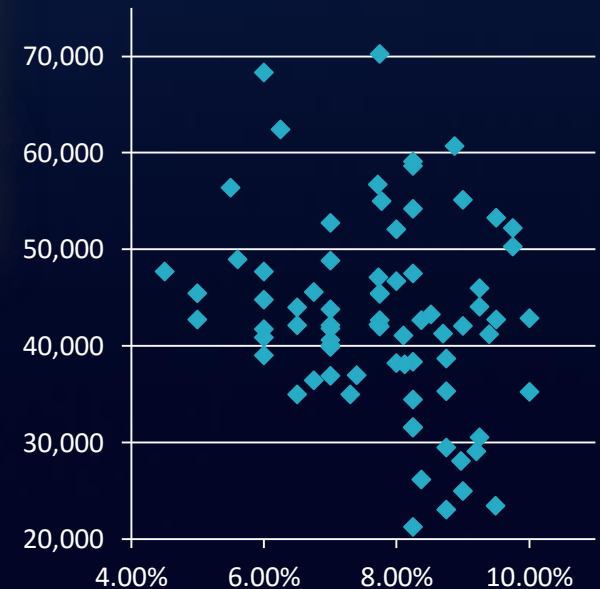
Create Effective
Public & Civic
Culture &
Institutions



- ❖ Fragmentation
- ❖ Tax/Value Proposition
- ❖ Governance



GDP Per Capita vs. Sales Tax Rate
(Illustrative)



Compete on High Value instead of Low Costs

Create Effective
Public & Civic
Culture &
Institutions



BUSINESS COSTS COMPARISON

INDIANA vs. Midwest

Illinois, Iowa, Kentucky, Michigan, Minnesota, Missouri, Ohio & Wisconsin

CORPORATE INCOME TAX RATE

Source-Tax Foundation, 2012 State Business Tax Climate Index

*INDIANA	8.5%, reduced to: 8% by July 2012 7.5% by July 2013 7% by July 2014 6.5% by July 2015
**Illinois	9.5%
Iowa	6% - 12%
Kentucky	4% - 6%
Michigan	6%
Minnesota	9.8%
Missouri	6.25%
***Ohio	Gross Receipts Tax 0.26%
Wisconsin	7.9%

**Indiana uses the SINGLE-SALES FACTOR for apportioning corporate income tax. The Indiana portion of a corporation's tax liability is based solely on the portion of the company's sales in Indiana. Tax reduction approved by Indiana Legislature, 2011.*

***Illinois' rate includes two separate corporate income taxes, one at a 7% rate and one at a 2.5% rate.*

****Ohio does not have a corporate income tax but does have a gross receipts tax known as the Ohio Commercial Activities Tax.*

INDIVIDUAL INCOME TAX RATE

Source-Tax Foundation, 2012 State Business Tax Climate Index

INDIANA	3.4%
Illinois	5%
Iowa	0.36% - 8.98%
Kentucky	2% - 6%
Michigan	4.35%
Minnesota	5.35% - 7.85%
Missouri	1.5% - 6%
Ohio	0.587% - 5.925%
Wisconsin	4.6% - 7.75%

PROPERTY TAX INDEX RANK

Source-Tax Foundation, 2012 State Business Tax Climate Index

INDIANA	11
Illinois	44
Iowa	36
Kentucky	19
Michigan	30
Minnesota	26
Missouri	7
Ohio	33
Wisconsin	32

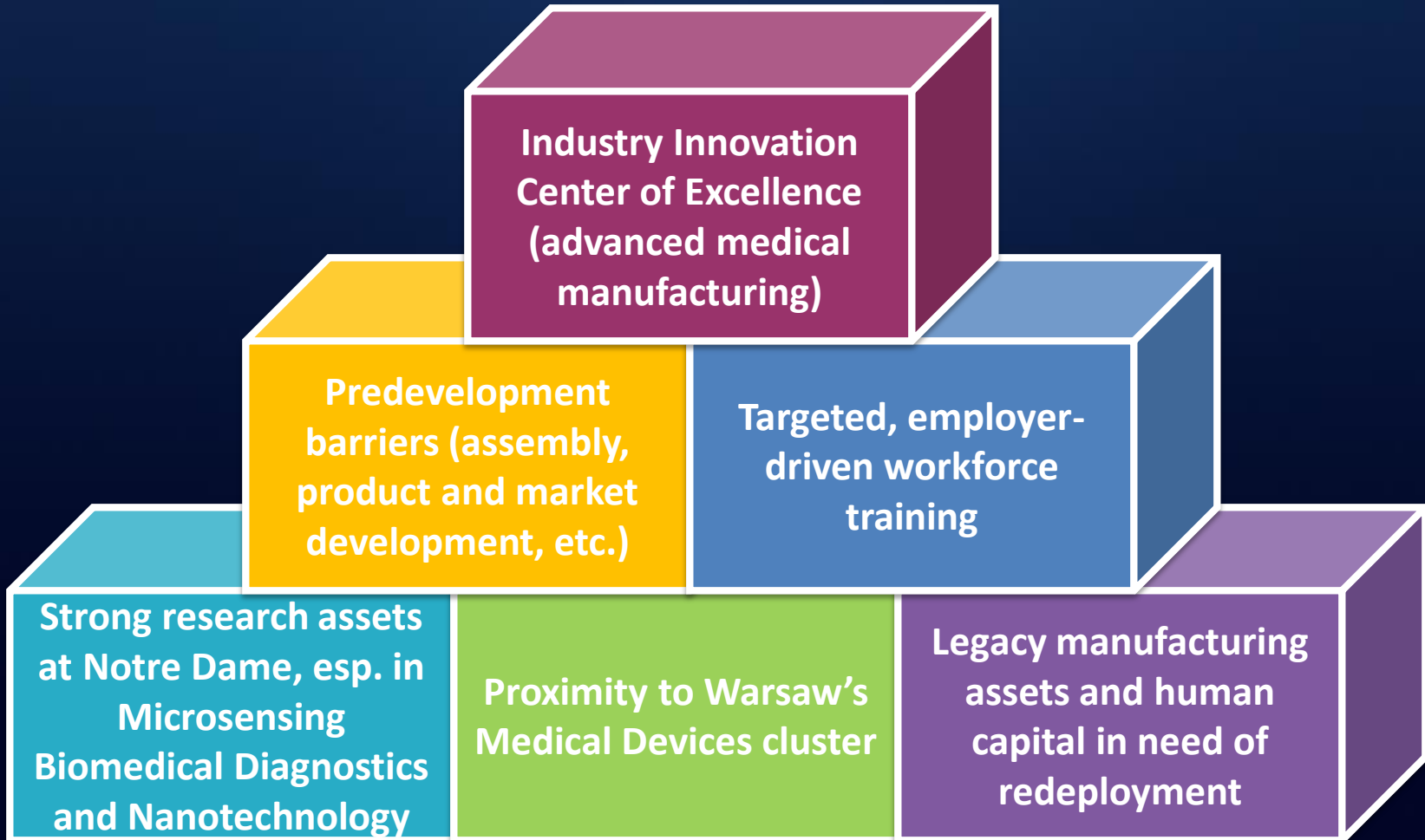
❖ Services/initiatives that might be efficiently coordinated, streamlined?

- ❖ Most important public goods and services to industry, residents? Quality of these?
- ❖ Regulatory processes (permitting, licensing, inspections, etc.) onerous for businesses?
- ❖ Alignment of ED programs, organizations?
- ❖ Govt 2.0: engaging firms and citizens, transparency, flexibility, use of public data for economic growth, ...?

Illustrative Strategy Development



Potential Strategy



Agenda

➤ Driver's of the Next Economy

➤ "Metro-Economics"

➤ Metropolitan Business Planning (from theory to practice)

➤ Understanding Your Economy

➤ Key Lessons and Discussion

Economic Development in the Next Economy



DISCUSSION

Regions Charting New Directions: Metropolitan Business Planning

South Bend Economic Summit

June 21, 2012

Robert Weissbourd