

# *Improving North Carolina's Economic Development Delivery System*

*A Report to the North Carolina General Assembly*

In response to Senate Bill 1115, S.L. 2002-126

## **APPENDICES**

Michael I. Luger, Ph.D.

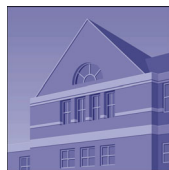
*and*

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*Office of Economic Development*

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**March 2003**





## APPENDIX A

# *Study Methodology*

**I**n Section 13.9 of Senate Bill 1115, sponsored during the 2002 session, the Kenan-Flagler Business School (KFBS) of the University of North Carolina at Chapel Hill was asked to “study the effectiveness of the economic development activities of the North Carolina Department of Commerce (‘Commerce’) and the Regional Economic Development Commissions (‘Commissions’).” Dean Robert Sullivan of KFBS asked the Office of Economic Development (OED) in the Kenan Institute of Private Enterprise to conduct the study. The study team included: Michael I. Luger, Ph.D., Leslie S. Stewart, Douglas S. Longman, Catherine S. Renault, and Chloe A. Brooke. The key tasks in our methodology were as follows.

### **Preliminary Meetings**

Dr. Luger arranged a number of preliminary meetings to ensure that expectations were clearly defined from the outset of the study. These meetings included:

- North Carolina General Assembly, Fiscal Research Division  
Attendees: Adam Levinson, Kelly Huffstetler, Jennifer Hoffman, and Jack Kasarda  
Date: Summer 2002
- N.C. Department of Commerce  
Attendees: Secretary Jim Fain  
Date: October 11, 2002
- N.C. Partnership for Economic Development (NCPED)  
Attendees: Presidents and chairs of commissions, and Commerce reps.  
Date: October 18, 2002, Asheville
- N.C. Department of Commerce  
Attendees: Dene Dawson and Mike Smith  
Date: November 1, 2002
- North Carolina General Assembly, Fiscal Research Division  
Attendees: Adam Levinson and Kelly Huffstetler  
Date: November 12, 2002

## Protocol

Before beginning the research process, the team developed a study protocol. That protocol (see Appendix J) was designed to focus the research process around the legislative mandate of the study and to ensure consistency in the data-gathering process.

## Documents Review

The team requested and received annual reports, strategic plans, marketing materials, and additional documents from each of the seven partnerships. We also requested reports from Commerce, including the recent KPMG report to the Economic Development Board and the Market Street Services report to the NCPED, as well as data from Commerce's marketing tracking system. We later also received and reviewed the 1991 KPMG study commissioned by the Government Performance and Audit Committee, the Economic Development Board's 1994 strategic economic development plan, and the 2002 Commerce study of co-location of partnership and regional Commerce offices.

## Onsite Visits

Day-long meetings were scheduled at the Department of Commerce and at each of the seven regional partnerships. Host organizations helped identify and invite participants for focus groups. These meetings followed a consistent format at each partnership location:

<b>Sample Schedule (Partnerships)</b>	<b>Focus Groups</b>
9:00 – 10:30	Staff
10:30 – 12:00	Local Economic Developers
12:00 – 1:30	Board

In the afternoon, we met with regional Commerce representatives, if we had not already met with them at the Commerce meetings in Raleigh (below), and sometimes with other allies identified by the partnerships. The schedule for the meetings with Commerce staff in Raleigh was as follows:

<b>Schedule (Commerce)</b>	<b>Focus Groups</b>
9:00 – 10:30	Senior Staff of B&I
10:30 – 12:00	Recruitment
12:00 – 1:00	Lunch with Secretary Fain
1:00 – 2:30	Retention & Expansion
2:30 – 4:00	Regional Staff

A total of 174 people attended the eight on-site visits (see Appendix I).

<b>Location</b>	<b># Attendees</b>	<b>Date of Visit</b>
Eastern	31	12/9/02
Commerce	26	12/11/02
Research Triangle	18	12/12/02
Southeast	9	12/13/02
Northeast	13	12/17/02
Charlotte	12	12/19/02
AdvantageWest	51 <sup>1</sup>	12/20/02
Piedmont Triad	14	1/7/03

It should be noted that the number of people in a group was not significant to our interpretation of results. Focus group methodology treats a group, not the individual, as the unit of observation. It was important to keep the groups as homogeneous as possible in terms of the roles of the group members, as that allows for timely coverage of topics and candor among informants.

### **Survey**

We also designed a survey to gather some quantitative and individual-level data to support the qualitative group data captured during the on-site meetings (see Appendix J). The survey gave participants an opportunity to provide anonymous, open-ended feedback on anything that they were not able to articulate during the formal meetings (due to constraints on time and/or comfort level). Surveys were distributed in two ways:

- 1) At the end of each on-site meeting, participants were given a hard copy of the survey.
- 2) Those invitees not able to attend an on-site meeting, as well as those who did attend the meetings, were notified via email (several times) of the opportunity to complete the same survey in a web-based format.

A total of 104 people completed either a hard copy or web-based version of the survey.

### **Social Networking Analysis**

As part of the leave-behind survey, we asked people to indicate the number of times they typically interacted with each of the other players in North Carolina's economic development community. An interaction was defined as a face-to-face meeting, a telephone call, a voicemail exchange, a fax, an email exchange or a letter. Frequencies ranged from never, once a month or less, two-to-three times a month, once a week,

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1. There was one very large group of tourism, film, and other allies on this afternoon. Excluding that group, which did not have an analogous group in the other regions, the number was 25.

two-to-three times a week, daily, to multiple times a day. We asked for interactions for the purposes of recruitment and retention/expansion.

We graphed the network for North Carolina recruitment using UCINET 6,<sup>2</sup> a social network analysis software package. This software is designed to give a physical representation of networks of relationships. However, our sample of responses (28) was too small for us to draw any clear conclusions.

### **Phone Interviews with Businesses and Site Selection Consultants**

In order to capture the economic development “client” perspective, we interviewed a number of businesses and site selection consultants identified for us by Commerce, partnership personnel, and local developers. We used the phone as a primary contact method, but relied on e-mail and faxes when necessary. The businesses contacted included a few who did not locate in North Carolina. Each phone interview was conducted according to a protocol similar to that used in the on-site meetings but modified to reflect the client perspective (see Appendix J). A total of 25 individuals were interviewed, including 16 businesses and 9 site selection consultants. While the sample sizes are small, the results are consistent.

### **Budget Review**

Using archives kept at the Fiscal Research Division, we developed budget information for Commerce since FY91 and for the partnerships since their state funding began in FY93. We then met with Commerce financial management staff to get further detail and insight. We used annual reports as well as correspondence with the Fiscal Research Division and the partnerships’ staff to construct budget and staffing data for the partnerships. In addition, we reviewed the data from the state expenditure survey of the National Association of State Development Agencies (NASDA), and we made selected calls to comparison states.

### **Analysis of Other States**

Using the KPMG 2002 document, *Best Practices: Public/Private Economic Development Organizations*, we sketched out the key economic development organizations in neighboring states as well as those states with successful private initiatives. We augmented that report with first-hand research of the states’ web sites. Finally, we compiled a list of announcements made by North Carolina, Virginia, and South Carolina during 2002 to assess and compare the recent success of their economic development recruitment programs.

### **Other Relevant Meetings**

We held individual meetings with other relevant current and former actors in economic development in North Carolina. The individuals included:

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2. Borgatti, S.P., M.G. Everett, and L.C. Freeman, 1999. *UCINET 6.0 Version 1.00*. Natick, MA: Analytic Technologies.

***Former Secretaries of Commerce Since 1993:***

- Rick Carlisle
- Dave Phillips
- Norris Tolson

***Other:***

- Robert Stolz, Chair of Economic Development Board (EDB)
- Watts Carr, Chair of Recruitment and Retention Committee, EDB
- Philip Horne, Foundation for Renewal of Eastern North Carolina (for information only)
- John Merritt, Governor's Office



## APPENDIX B

# *Team Member Qualifications*

**T**he Office of Economic Development (OED) at the University of North Carolina at Chapel Hill was founded in July 1998. The mission of OED is to apply the resources of this campus to the problems of economic development, primarily within the state of North Carolina. The Office creates, monitors, and documents new programs that will assist local, state, regional and national governments, non-governmental organizations, and private enterprises to create jobs and wealth. OED is housed in the Kenan Institute of Private Enterprise at the Kenan-Flagler Business School. OED is a pan-university center that reports to the university's Vice-Chancellor of Graduate Studies and Research and involves faculty, staff and students as appropriate from the entire Carolina campus.

One of OED's chartered goals is to provide information and services to help make North Carolina more competitive and increase jobs and wealth in the state. We conduct evaluations and applied research projects on a wide range of topics related to economic development policy for the state, including high-tech clusters, worker dislocation, tobacco decline, the William S. Lee Act, and specialized industry training. We provide technical assistance to businesses and local communities on economic development matters, including conducting feasibility and opportunity assessments and facilitating strategic planning processes. And we serve as a neutral platform for government, business and university leaders to meet and discuss economic development issues.

Because of our state-focused mission, and the impressive portfolio of studies we have conducted for and within the state,<sup>1</sup> OED has a current and active understanding of the landscape of economic development policy, practice, and institutions in North Carolina. OED staff also track developments in economic development research and practice in other states and countries, and we collaborate on large-scale studies with other university-based experts.

The OED personnel who staffed this project include: Michael Luger, Ph.D., Director; Leslie Stewart, Associate Director; Catherine Renault, senior research associ-

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1. For a list of OED's publications, select Reports from the main menu at [www.oed.unc.edu](http://www.oed.unc.edu).

ate; Doug Longman, D.B.A., senior research associate; Chloe Brooke, research associate; Brande Roberts, research and management assistant; and Karen Becker, document specialist.

### **Michael I. Luger**

- Director of OED, and Professor of Public Policy, Business, and Planning at UNC-Chapel Hill; 25 years of economic development research
- Education: Degrees in architecture, planning, public affairs, and economics from Princeton and UC-Berkeley

Dr. Luger has a longstanding prominence in studying and developing economic development policy in North Carolina. He has directed several key policy studies for North Carolina, including studies on worker dislocation, tax policy, industry cluster resource centers for the community college system, and tobacco decline. He is currently directing the biennial evaluation of the William S. Lee Act for the N.C. Department of Commerce. He recently completed a feasibility study for mini-hubs in the rural counties of the Research Triangle region.

Dr. Luger has published and presented extensively on economic development issues including infrastructure, research and technology parks (e.g., the book *Technology in the Garden*), university impact, clusters, tax incentives, workforce dynamics, and competitiveness in the new economy. His latest national report, for the U.S. Economic Development Administration, on technology infrastructure for distressed communities, is available on OED's web site ([www.oed.unc.edu](http://www.oed.unc.edu)).

### **Leslie S. Stewart**

- Associate Director of OED, 16 years of economic and community development experience
- Education: B.A. in Economics from Colgate University, Masters in Public Administration from UNC-Chapel Hill, and a certificate of completion from the Economic Development Institute (University of Oklahoma)

The focus of Ms. Stewart's work is helping communities and regions work from their current situations to transition to a more competitive position in the new economy. She directed OED's economic development restructuring and strategic planning efforts in Cumberland and Cherokee Counties. She led the fieldwork for an assessment in Chattanooga to help the region develop a more entrepreneurial economy. She facilitated focus groups on transitions to the new economy in each of the seven N.C. partnership regions as part of the Vision 2030 project for Governor Hunt. She also conducted several of the case studies for the recently published national study for EDA on distressed communities' use of information technology to spur economic development.

Working primarily within North Carolina, Ms. Stewart has a firm grasp of the state's economic development programs, policies, and institutions, and her prior 12 years at RTI International acquainted her well with federal policy on economic and

community development. Ms. Stewart currently serves on the board of the North Carolina Economic Developers Association (NCEDA) and co-chairs its professional development committee.

### **Catherine S. Renault**

- Senior Research Associate of OED; Teaching Fellow, Department of Public Policy, UNC-Chapel Hill; Vice-President of Advantage Consulting (Durham, NC)
- Education: B.A., Harvard University; M.B.A., Darden School, University of Virginia; Ph.D. in public policy expected 2003, UNC-Chapel Hill

Ms. Renault is the former managing director of technology commercialization for Virginia's Center for Innovative Technology (CIT) where she was responsible for helping communities across the Commonwealth compete in the new economy. She is currently the OED project manager for a six-year effort for the Maine Science and Technology Foundation to evaluate Maine's public investments in R&D. Her previous research work for UNC includes researching state science and technology assets for the Appalachian Regional Commission. Ms. Renault has provided strategic planning support for non-profit economic development organizations in rural Virginia as well as many businesses. Her area of expertise is entrepreneurship and venture capital. Her career also includes seven years in the private sector with AT&T and Data General.

### **Douglas S. Longman**

- Senior Research Associate of OED
- Education: B.A. Psychology, M.B.A. and Doctorate of Business Administration (D.B.A.) in Marketing, Indiana University

Dr. Longman has extensive experience in business development within a corporate context and in business capital budgeting. His background includes over 25 years of marketing planning and corporate strategy for Fortune 100 companies and 10 years in management consulting on new products and corporate development. He has taught marketing strategy and business development at the University of Texas, the University of Chicago, and the University of North Carolina-Chapel Hill. Dr. Longman knows corporate decision-making on expansion capital investments from the inside. He has held numerous management positions in Marketing and Strategy for PepsiCo, General Foods, Citibank, and Ameritech. His current interests include sustainable economic development in the context of global competition.

### **Chloe A. Brooke**

- Research Associate of OED
- Education: B.A., Davidson College; M.B.A./J.D. expected 2005, UNC-Chapel Hill

Prior to entering the M.B.A./J.D. degree program at Carolina, Ms. Brooke worked for First Union Securities where she was an associate in the Business Development Group, focused on achieving greater efficiency and effectiveness through better business prac-

tices, communication facilitation, marketing, performance-based measurements and strategic planning.

**Brande L. Roberts**

- Research and Management Assistant for OED
- Education: B.A./B.S., Sociology and Business, North Carolina State University; Basic Economic Development Course

Ms. Roberts has ably supported the day-to-day research and administrative needs of OED since October 2000. Among other tasks, she scans publications for relevant economic development news and maintains our web site at [www.oed.unc.edu](http://www.oed.unc.edu).

**Karen L. Becker**

- Document Specialist
- Education: A.A.S., Civil Engineering Technology, Broome Community College; B.S., Human Environment Relations/Design, Cornell University; M.U.R.P., Economic Development/Environmental Analysis, Virginia Commonwealth University; coursework completed for Ph.D., UNC-Chapel Hill

Ms. Becker is a freelance consultant with a background in economic development research. She has formatted and produced camera-ready reports for the Office of Economic Development for over two years.

## APPENDIX C

# *Summary of Prior Reports*

**A**s noted in the report, this document is not the first study North Carolina has commissioned on issues of coordination or effectiveness in the state's economic development apparatus. In the following table, we summarize some of the key findings and recommendations from those reports, which we built upon and sometimes cited in this report. Findings are indicated in bold.

Table C.1: Summary of Prior Reports\*

	1991 KPMG	1994 Strategic ED Plan	Market Street	2002 KPMG	2002 Strategic ED Plan
<b>Date (final report issue)</b>	1993	1994	1999	2002	2002
<b>Commissioned By</b>	NC General Assembly (GPAC)	NC Economic Development Board	NCPED	NC Economic Development Board	NC Economic Development Board
<b>Report Author</b>	KPMG	NC Economic Development Board	Market Street Services, Inc.	KPMG	NC Economic Development Board & Dept. of Commerce
<b>Vision, Strategy, and Leadership</b>	<p><b>Finding: NC's key ED players do not believe NC has an adequate plan for statewide ED.</b></p> <p>Recommendation: The GA should require that a statewide plan for economic development be developed and updated on a regular basis.</p>	<p>Recommendation: Develop a differentiated marketing strategy for NC and its regions.</p>	<p>Recommendation: The NC marketing program will be a joint planning effort between Commerce and the regional partnerships.</p>	<p><b>Finding: There is a perception among some in the ED community and certain national site consultants that ED is not as high a priority in NC as it is in surrounding states in the Southeast.</b></p> <p>Recommendation: The State must develop a statewide targeted investor strategy, relying in part on the partnerships' market research.</p>	<p>Recommendation: Develop an effective, coordinated statewide marketing/branding program.</p>
				<p><b>Finding: There is confusion and a lack of clarity over the benefits available to potential investors and who has the authority to make vital commitments.</b></p> <p>Recommendation: A "NC Brand" should be carefully developed and used as the basis for all promotional and marketing activities.</p>	<p>Recommendation: Undertake a multi-pronged approach to improve NC's competitiveness.</p>
				<p>Recommendation: The State must develop, implement, and communicate a cohesive ED strategy that clearly defines the roles of key state agencies and regional and local ED players.</p>	
				<p>Recommendation: The Governor should play a key role in determining and communicating the economic development plan for North Carolina.</p>	

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Table C.1: Summary of Prior Reports, continued\*

	1991 KPMG	1994 Strategic ED Plan	Market Street	2002 KPMG	2002 Strategic ED Plan
<b>Structure and Roles</b>	<p><b>Finding:</b> Commerce has excess levels of management, excessively narrow spans of control, and unnecessary positions in some units.</p> <p>Recommendation: Restructure the Department of Commerce.</p> <p><b>Finding:</b> Development needs and resources vary widely around the State, with greatest needs and least resources in rural areas.</p> <p>Recommendation: Assign top priority of the regional offices on community development and retention and expansion activity in rural areas.</p>	<p>Recommendation: Unify and enhance the state's marketing efforts under Commerce.</p> <p>Recommendation: Increase funds for marketing, promotion and related ED activities through the NC Partnership for Regional Economic Development.</p>	<p>Recommendation: The size and structure of the boards of directors in each region need review. The Global TransPark (Eastern) Commission needs serious attention relating to structure, program and funding.</p> <p>Recommendation: Conduct continuing analysis of the number of regions in the NCPED.</p> <p>Recommendation: Conduct continuing review of the structure and organization of Commerce as it relates to regional operations.</p>	<p>Recommendation: The Assistant Secretary of Commerce for Economic Development position should be filled at Commerce.</p> <p>Recommendation: North Carolina's state level economic development activities should remain public.</p>	
<b>Coordination and Communication</b>	<p><b>Finding:</b> ED activity is highly fragmented and there is not an integrated approach to ED. Some ED organizations in NC have developed plans, but they are not integrated.</p>	<p>Recommendation: Create regional marketing advisory committees within regional partnerships to work with Commerce-assigned regional liaisons to develop regional marketing plans.</p>	<p>Recommendation: View "The Partnership" as the cumulative efforts of the seven regions and the Secretary of Commerce and his office.</p>	<p><b>Finding:</b> A lack of clarity of certain roles and responsibilities between the state and the regional partnerships, coupled with poor interagency communication within the ED community, has led to a certain degree of "client confusion."</p>	<p>Recommendation: Cultivate collaborative relationships (partnerships, Commerce, Rural Center, etc.).</p>
			<p>Recommendation: Commerce regional representatives need to be co-located with the regional partnerships as soon as possible.</p> <p>Recommendation: The partnerships should be primarily in a supportive role on client handling.</p>	<p>Recommendation: The Department of Commerce should clearly be the lead economic development agency for the State of NC.</p> <p>Recommendation: Collaboration must occur between Commerce and the regional partnerships on marketing activities.</p>	<p>Recommendation: Promote regionalism with clear, central leadership from Commerce.</p>

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Table C.1: Summary of Prior Reports, continued\*

	1991 KPMG	1994 Strategic ED Plan	Market Street	2002 KPMG	2002 Strategic ED Plan
Measurement and Accountability	<p><b>Finding:</b> The results of State ED activities are not effectively monitored and evaluated.</p> <p>Recommendation: Establish an Economic Development Council to replace the current Economic Development Board. Assign this Council the responsibility for recommending ED appropriations.</p> <p>Recommendation: Assign key responsibilities for each major area of economic activity to a specific agency.</p> <p><b>Finding:</b> Each of the special-purpose nonprofits has demonstrated success in its respective area of focus, but few mechanisms currently exist to ensure their accountability to the state.</p> <p>Recommendation: In its statewide economic development plan, the State should explicitly address the appropriate role for nonprofit organizations in economic development and develop performance-based contracts with them.</p>		<p>Recommendation: Stabilize the regional partnerships; applaud the successes and reinforce what is working well.</p>		
				<p>Recommendation: The State should invest in additional sales training for its professional staff.</p>	

\* Only includes recommendations relevant to structure, process and effectiveness of Commerce and the partnerships.

## APPENDIX D

# *Analysis of State Outcome Data, 2002*

**T**his appendix reviews selected outcome data for the state, compared with two neighboring states and broken down within North Carolina.

**First question:** How did North Carolina do in 2002? Did we fare badly compared to neighboring states like Virginia and South Carolina, as some participants at the focus groups suggested? The results are:

**Table D.1: 2002 Industry Announcements**

<u>Announcements</u>	<u>North Carolina</u>	<u>Virginia</u>	<u>South Carolina</u>
Number of deals	74	61	62
Total jobs announced	7,702	10,771	7,542
Jobs announced from companies new to the county/state	5,670	7,117	5,070
Jobs announced from expansions of companies already in county/state	2,032	3,654	2,377
Percent of jobs from new	73.6%	66.1%	67.2%
Average jobs/deal	104.1	176.6	121.6
Jobs created per 100,000 employed workers*	198	308	412

\*Total non-farm employment, seasonally adjusted, for December 2002.

Jobs and investments are projections and may cover several years. Expansion means that the company is already located in this county; jobs indicated are new, not retained.

Sources: N.C. Department of Commerce newsletters. Includes only projects in which Commerce had a direct involvement (which means all projects that wanted to be eligible for tax credits or other incentives). S.C. Department of Commerce, [www.callsouthcarolina.com](http://www.callsouthcarolina.com). Virginia Economic Development Partnership, [www.vedp.org](http://www.vedp.org).

In absolute numbers, North Carolina did more deals than Virginia or South Carolina and announced more jobs than South Carolina, but less than Virginia. A higher percentage of jobs announced in North Carolina were from new companies. Average deal size was lower in North Carolina. Compared to the size of the workforce in each state, the number of jobs announced was lowest in North Carolina, almost 50 percent lower than South Carolina.

**Second question:** Did all the growth concentrate in the urban areas?

**Table D.2: Results of Analysis by Partnership Region**

Partnership Region	Number of Deals	Total Jobs Announced	Jobs Announced per 100,000 Employed Workers	Percent of Total Jobs Announced in N.C.	Total New Jobs Announced	Percent New of Total Jobs Announced Region	Average Jobs/Deal
Advantage West	9	527	119.7	6.8%	227	43.1%	58.6
Charlotte	15	1,460	163.8	19.0%	1,060	72.6%	97.3
Piedmont Triad	5	425	61.4	5.5%	80	18.8%	85
Research Triangle	15	3,722	477.8	48.3%	3,537	95.0%	248.1
Southeast	14	1,113	293.2	14.5%	421	37.8%	79.5
Eastern	10	253	68.5	3.3%	145	57.3%	25.3
Northeast	6	202	145.8	2.6%	200	99.0%	33.7

Calculated from raw data sources used for table D.1.

**Table D.3: Results of Analysis by Tier**

Tier	Number of Deals	Total Jobs Announced	Jobs Announced per 100,000 Employed Workers	Percent of Total Jobs Announced in N.C.	Total New Jobs Announced	Percent New of Total Jobs Announced Region	Average Jobs/Deal
Tier 1	12	465	215.4	6.0%	313	67.3%	38.8
Tier 2	13	482	163.2	6.3%	160	33.2%	37.1
Tier 3	8	1,000	168.3	13.0%	480	48.0%	125
Tier 4	12	743	109.7	9.6%	485	65.3%	61.9
Tier 5	29	5,012	233.4	65.1%	4,232	84.4%	172.8

Calculated from raw data sources used for table D.1.

The results by tier reinforce the regional findings. Tier 5 counties have most of the state's largest employers to start with. Larger projects are rare, and in today's economy firms are much more risk-averse, so they often choose the proven markets rather than the less expensive place. In addition, new economy businesses tend to seek locations near well-developed infrastructure, highly trained labor, and the best cultural and intellectual amenities, which are features of the higher tier counties. Therefore, incentives are likely to have only a marginal effect on directing growth to Tier 1 and 2 counties. If the businesses' needs can be satisfied in a Tier 1 county, they will

step up to claim the credits, but only because the place also works as a business location for that business in its market at that time. Product development for the new economy — of trained labor, broadband telecom, market niches, etc. — is the only way to economic prosperity for rural communities. That takes years of incremental investments that leverage other resources and develop momentum and critical mass. The urban regions of our state reflect those investments from 30 or more years ago, and now they are competing just as hard or harder, but in different markets from where they were in 1960.

“One North Carolina” will never mean the same outcomes for 100 counties. What it should mean is a fair chance at the jobs that *are* a fit for *that* region. The latter is the basic motivation behind the formation of the rural partnerships. Most people we met acknowledged that the regions get more of their “fair share” of projects that could be a fit because of the partnerships’ external marketing to the world and their internal marketing to the legislature and Commerce.

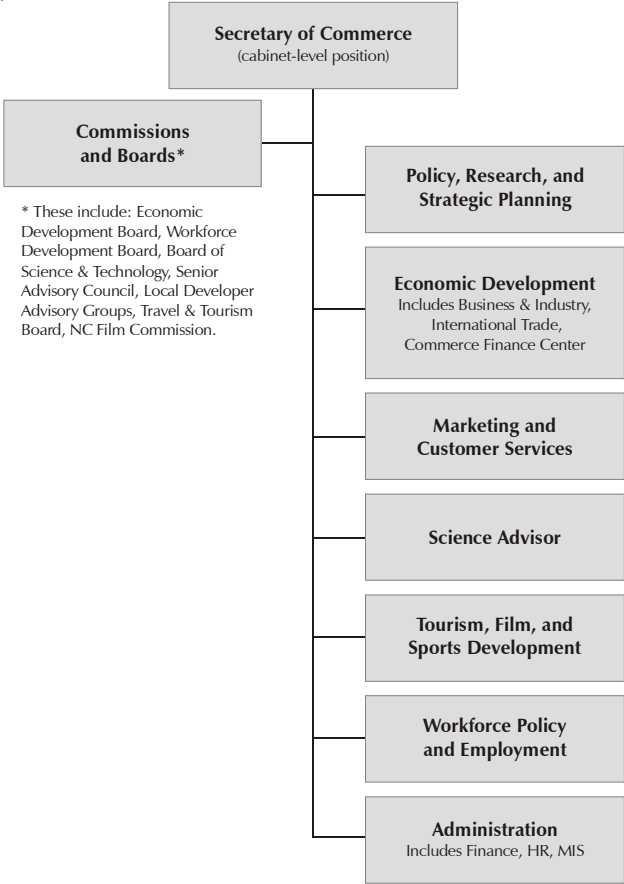


APPENDIX E

# Structure and Funding of the North Carolina Department of Commerce

This appendix includes background information on Commerce’s overall organization, and more specifically, on the Business and Industry Division; levels of state funding, today and in the recent past; private funding; communications mechanisms; and a list of past secretaries.

Figure E.1: North Carolina Department of Commerce Organization Chart



### Business and Industry Division

The Division of Business and Industry, or B&I, is the primary group involved in industry recruitment and retention within Commerce. They work closely with the Marketing and Customer Services, the Commerce Finance, and the International Trade Divisions as needed, and they work with a Policy and Research Division that determines targets and estimates project impacts.

Figure E.2: Business and Industry Division Organization Chart

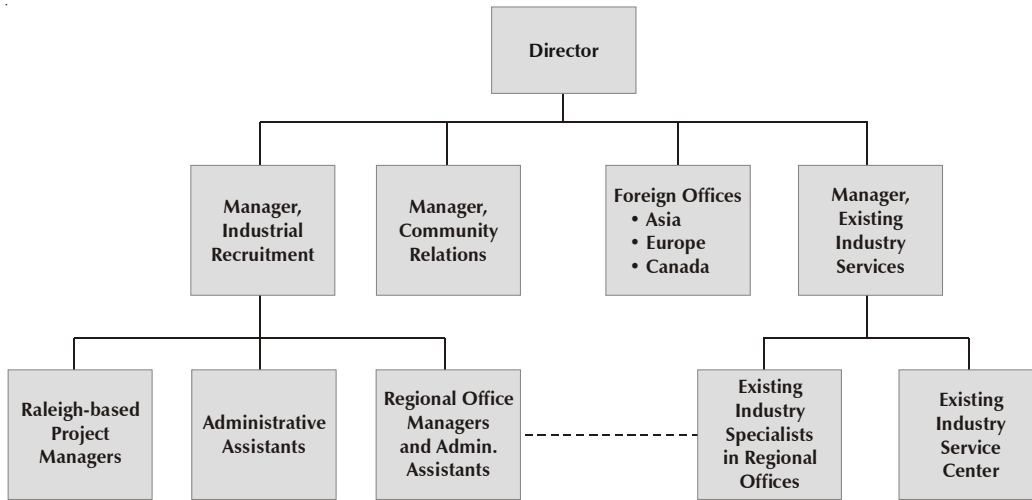


Table E.1: Business and Industry Division Staffing and Funding

	<u>FTEs</u>	<u>Operating Budget FY2002 (millions)</u>
Raleigh-based	21.25	\$3.0
Regional Offices	21.00	\$1.3
<b>Total</b>	<b>42.25</b>	<b>\$4.3</b>

“Enterprise teams” were recently established to focus expertise around certain industries or markets. They include partners from universities, community colleges, industry, port or airport authority, etc., and each team has a lead in the Department of Commerce. The team leaders were assigned as follows, as of October 2002:

<b>Team</b>	<b>Leader</b>
Asia	Steve Brantley
Bio/Pharma	Jim Nichols
Canada	Susan Fleetwood
Consultants	Peggy Anderson
Distribution Centers	Steve Yost
Europe	Martyn Johnson
Business Services	Susan Fleetwood
Forest Products/Agribusiness	Bruce Andrews
Furniture	Bill Shore
Medical Equipment and Supplies	Dallas Hardenbrook
Industrial Machinery and Equipment	Rod Forsyth
IT/Telecom	Jim Nichols
Plastics/Chemicals	Conley Hilliard
Textiles	George Shepard
Transportation	Richard Robertson

Source: North Carolina DOC, *Commerce Today*, October 2002.

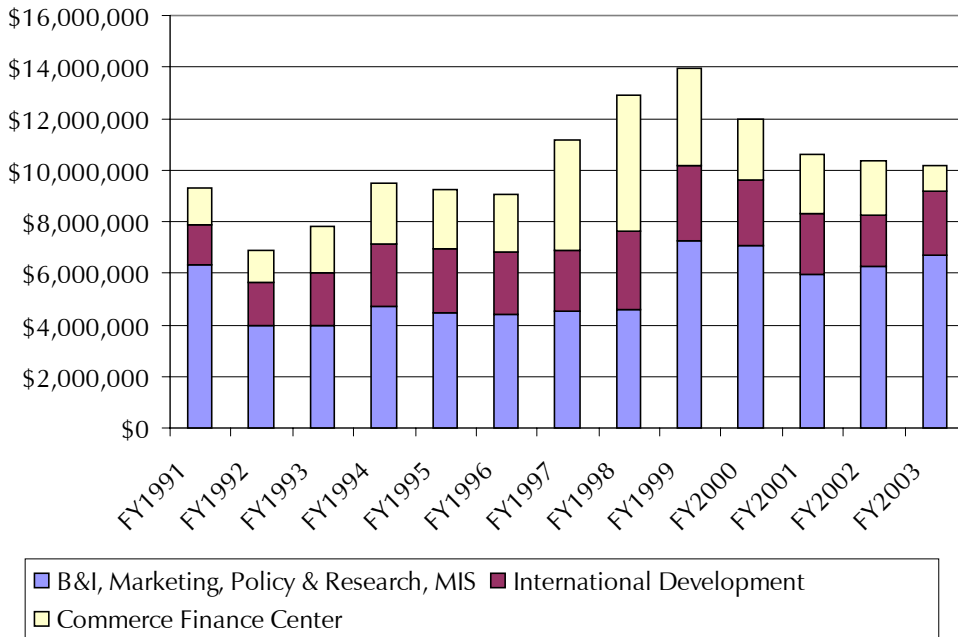
Reviews of the enterprise team idea are mixed. We heard mild support for the enterprise team concept, but only if staff are trained with the appropriate cutting-edge information about the markets they cover.

**Table E.2: Current Levels of Staff and State Funding**

<b>Division</b>	<b>FTEs</b>	<b>Certified Appropriation FY2003</b>
Marketing & Customer Svcs.	5.00	\$1,272,834
Policy & Research	9.00	\$369,468
Business & Industry	42.25	\$4,066,643
International Trade	10.00	\$2,444,144
Commerce Finance	6.00	\$979,675
<b>Total, "Economic Development" Divisions</b>	<b>72.25</b>	<b>\$9,132,764</b>
Science and Technology	1.00	\$304,676
Tourism, Film & Sports Dev.	33.00	\$9,452,025
Welcome Centers	40.00	\$1,460,167
Community Assistance	37.50	\$3,340,297
Administration	32.00	\$1,434,566
MIS	11.00	\$1,013,564
Industrial Commission Administration	109.00	\$5,879,484
Other DOC	10.00	\$1,915,351
<b>Total (All DOC departments)</b>	<b>345.75</b>	<b>\$33,932,894</b>

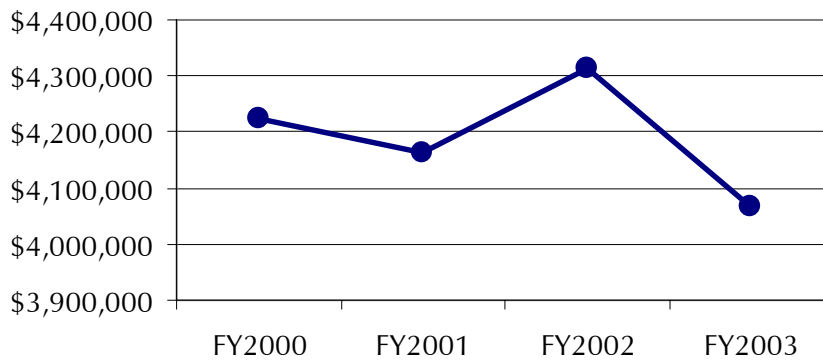
## Funding History

**Figure E.3: Commerce “Economic Development Divisions” Operating Budget Trend**



Note: The figures for FY91 through FY02 are actual year-end expenditures; for FY03 a certified appropriation subject to year-end reversion. MIS is included in these figures because it was part of B&I through FY99.

**Figure E.4: Recent Budget Trend, Business and Industry Division Only**



Note: Marketing, Policy & Research, and MIS were separated out from the B&I budget in FY00 so comparable data for B&I are only available for the last few years. The figures for FY00 through FY02 are actual year-end expenditures; the FY03 figure is a certified appropriation subject to year-end reversion.

## **Private Funding**

In addition to its state appropriation, Commerce has a small trust fund of privately raised money to use for marketing events and other initiatives requiring greater flexibility. The “Friends of North Carolina” are the benefactors who contribute to this fund. Their most recent event was the N.C. Open golf tournament for site selection consultants at Pinehurst #2 in September 2002. (This type of event is similar to the Heritage Classic golf tournament held every year by South Carolina business developers at Hilton Head or the Kentucky Derby Days offered in that state.) The N.C. Open also included presentations from the Governor and the secretaries of transportation and environment about North Carolina’s unique advantages for business.

The North Carolina Department of Commerce is also a member of the North Carolina Partnership for Economic Development, which is a statewide non-profit that can accept private donations.

## **Communications Mechanisms**

Commerce’s web sites are [nccommerce.com](http://nccommerce.com), [investnc.com](http://investnc.com), and [ncsitesearch.com](http://ncsitesearch.com). It releases an on-line monthly newsletter called *Commerce Today*.

## **Recent Past Secretaries of Commerce**

Lauch Faircloth

January 1977 to June 1983

C.C. Hope, Jr.

June 1983 to January 1985

Howard Haworth

January 1985 to December 1986

Claude E. Pope

January 1987 to February 1989

James T. Broyhill

February 1989 to March 1991

Estell C. Lee

April 1991 to January 1993

S. Davis Phillips

January 1993 to January 1997

E. Norris Tolson

January 1997 to January 1998

Rick E. Carlisle

May 1998 to February 2001

James T. Fain III

February 2001 to present



## APPENDIX F

# *History of the North Carolina Regional Economic Development Partnerships*

For over 40 years, regionalism has been an organizing concept in economic development in North Carolina. It is currently one of the four principles for competitiveness in the 21<sup>st</sup> century as articulated by the current national Assistant Secretary for Economic Development, David Sampson.<sup>1</sup> For many economic development efforts, the single county is too small an entity to be effective. A statewide, centralized approach risks masking the specialized resources and capacities of the individual communities. In contrast, regionalism, with its multi-county scale, can be cost-effective, but also close enough to the community level to consider local factors.

### **Early Regionalism Efforts in North Carolina**

The first regional efforts for economic development in North Carolina were Economic Development Districts (EDDs) designed in the 1960s to distribute federal revenue sharing and grants from the U.S. Department of Commerce, Economic Development Administration (EDA). Eight EDDs were designated by EDA in rural western and eastern regions of the state. The resulting grants were used for the creation of overall economic development five-year plans.<sup>2</sup>

In the 1970s, Governor Robert W. Scott expanded the EDDs statewide. Eighteen Lead Regional Organizations (LROs) were created, incorporating the existing EDDs. Every county was assigned to one LRO. The purpose was to administer a wide range of programs, not just economic development. Most are now called Councils of Government. County and city governments who were reluctant to relinquish authority viewed the LROs skeptically. Now, only two programs, Area Agencies on Aging and Emergency Medical Services, are coordinated through LROs.<sup>3</sup>

1. See [www.commerce.gov/eda](http://www.commerce.gov/eda).

2. Kirkman, Donald A. 1997. "Regionalism in Economic Development," in *North Carolina Focus: An Anthology on State, Government, Politics and Policy*. Raleigh, NC: NC Center for Public Policy Research.

3. Ibid.

## **Regional Efforts of the Department of Commerce**

The state of North Carolina has operated regional economic development offices since the 1960s. Today, there are nine offices with new business recruitment and existing industry assistance and expansion missions. These offices are located in: Asheville, Bryson City, Lenoir, Charlotte, Greensboro, Raleigh, Fayetteville, Greenville, and Edenton.<sup>4</sup>

In addition, Community Assistance, established in 1957 to provide technical assistance to local governments in land use planning and public administration, has five regional offices in Asheville, Winston-Salem, Raleigh, Fayetteville, Wilmington, and Washington.<sup>5</sup> Some are co-located with the Business and Industry offices.

## **Several Regional Organizations Had Formed Before 1994**

Several regional organizations for economic development formed of their own accord prior to 1994, starting with Piedmont Triad Horizons in 1989, followed in 1990 by the Raleigh-Durham Association, and in 1992 by the Carolinas Partnership and North Carolina Central Regions. Those efforts were based on the belief that marketing a region would produce better results than each county promoting itself separately. Also, there was some dissatisfaction with the Department of Commerce's success in attracting new industries to particular regions.<sup>6</sup> Funding for the new organizations was a combination of public and private, but most important, it was locally based. Participation in each region was also completely voluntary.

### ***Piedmont Triad***

Piedmont Triad Horizons was created in 1989 to look at long-term regional issues in twelve counties in North Central North Carolina. In 1991, Piedmont Triad Partnership was incorporated as a 501(c)(6) for the purpose of promoting economic development in the same twelve counties: Alamance, Caswell, Davison, Davie, Forsyth, Guilford, Montgomery, Randolph, Rockingham, Stokes, Surry, and Yadkin. With the recognition that the two organizations had similar missions, they were merged under the Partnership name in 1993. Horizons became the Piedmont Triad Foundation and went dormant.

In 2000, the bylaws of both organizations were restructured. A new Board of Directors and new programs of work emerged that focused on economic development for the Partnership and broader regional issues for the Foundation board.<sup>7</sup>

### ***Research Triangle Regional Partnership***

In 1990, the Raleigh-Durham Association was formed to market Wake, Durham, and Orange counties. The effort was funded by their respective Chambers of Commerce and by the Research Triangle Foundation. An Executive Director was hired in 1993

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4. See [www.nccommerce.com](http://www.nccommerce.com).

5. See [www.dca.commerce.state.nc.us/cpp/RegionalOffices.asp](http://www.dca.commerce.state.nc.us/cpp/RegionalOffices.asp).

6. Kirkman, op. cit.

7. Piedmont Triad Partnership 2001 Annual Report.

and the organization was expanded to a six-county area and renamed the Raleigh-Durham Regional Association. As a result of the 1994 act to include all counties in the regional partnerships, the Raleigh-Durham Regional Association expanded to 13 counties and changed its name to Research Triangle Regional Partnership in November 1994. The Partnership now includes: Chatham, Durham, Franklin, Granville, Harnett, Johnston, Lee, Moore, Orange, Person, Vance, Wake, and Warren counties.<sup>8</sup>

### *Charlotte Region*

The Carolinas Partnership was founded in 1992 to contribute to the growth and prosperity of the Charlotte Region. Now including the counties of Alexander, Anson, Cabarrus, Catawba, Chester, Cleveland, Gaston, Iredell, Lancaster, Lincoln, Mecklenburg, Rowan, Stanley, Union and York, the Partnership seeks to stimulate commercial development by marketing the region nationally and encouraging regional infrastructure development through the recruitment of new businesses. In addition, the Partnership seeks to encourage cooperation between business and government.<sup>9</sup> The Carolinas Partnership changed its name to the Charlotte Region in 2000.

The Partnership is unique in that its Board members join the organization by making a contribution or investment. The Partnership is a 501(c)(6).

### *North Carolina Central Region*

In 1992, North Carolina's Central Region, encompassing nine rural counties, marketed themselves together as the midway point on the Eastern seaboard, a prime location in central North Carolina. Funding for the organization was shared through a per capita assessment from each county and was supplemented by area utilities.<sup>10</sup>

## **Legislative History of State-funded Regional Economic Development Partnerships**

Until 1993, nothing about regionalism had been legislated by the state.

### *The Global Transpark Commission*

Then, in 1993, the General Assembly created the Global Transpark Development Zone and Commission to develop and manage a global air cargo industrial complex in Eastern North Carolina.<sup>11</sup> For the first five years, this was to be funded by a \$5/vehicle motor vehicle registration tax in the counties included (Carteret, Craven, Duplin, Edgecombe, Greene, Jones, Lenoir, Nash, Onslow, Pamlico, Pitt, Wayne, and Wilson). The mission was "to promote the development of N.C. Global Transpark and to promote and encourage economic development in the Zone" primarily through infrastructure projects. In the 1993 short session, the legislature allocated \$7,500,000 to the Global Transpark Development Zone for "economic development projects and infra-

8. See [www.rtrp.org](http://www.rtrp.org).

9. Carolinas Partnership, Inc. 2001 Annual Report

10. Stevens, Judy. 1997. "Regional Partnerships, Increasing the Potential for Economic Development in North Carolina." EDI Thesis.

11. S.L. 1993-0544.

structure.” A one-to-one match contributed after July 1, 1993 was required for the funds to be released.<sup>12</sup>

In the short session of the 1993 General Assembly, Regional Economic Development Commissions were legislatively created for western, northeast, and southeastern North Carolina.<sup>13</sup> That legislation defined the scope of activity and the make-up of the Commissions. Initial appropriations of \$600,000 for FY93–94 and \$1,250,000 for FY94–95 were made to each Commission.

### ***Western Economic Development Commission***

The western counties were: Buncombe, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, McDowell, Macon, Madison, Polk, Rutherford, Swain, Transylvania, and Yancey. (Cleveland was originally on this list and moved to the Carolinas Partnership in 1997.) This Commission developed a new name, Advantage West, for better marketing purposes, in 1995.

### ***Northeastern Economic Development Commission***

The northeastern counties were: Beaufort, Bertie, Camden, Chowan, Currituck, Dare, Gates, Halifax, Hertford, Hyde, Martin, Northampton, Pasquotank, Perquimans, Tyrrell, and Washington. This partnership originated with a dual mission and two directors, with one branch focused on tourism. It was subsequently reorganized under a single executive. The office is located in Edenton, N.C. (Chowan County).

### ***Southeast Commission***

The southeastern counties were: Bladen, Brunswick, Columbus, Cumberland, Hoke, New Hanover, Pender, Richmond, Robeson, Sampson, and Scotland. The office is based in Elizabethtown (Bladen County).

All three of these Commissions had the following charge:

- Survey their region and determine the assets, liabilities, and resources of the region.
- Develop and evaluate alternatives for regional economic development.
- Develop a regional economic development plan.
- Adopt and implement an economic development program.

S.L. 1993-0321 also specified each Commission’s future allocation based on a formula that used the distress factor for each county as a ratio with all counties times the total appropriation. The same act also detailed the Department of Commerce’s duties:

- Link the Commissions with information systems.
- Develop procedures to handle all inquiries fairly and equitably, efficiently and effectively.
- Organize the process of economic development.

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12. S.L. 1993-0561.

13. S.L. 1993-0321, s.309.

The Regional Economic Development Commission Expansion Program was ratified by the General Assembly in 1994.<sup>14</sup> The legislation directed Commerce to assign all 100 counties to one of the Commissions. The map of which counties are in each partnership can be found in Appendix G.

That act combined the three new Commissions with the already existing Piedmont Triad, Carolinas Partnership, Raleigh-Durham Regional Association, and the Global Transpark Development Zone.

Each Commission's region was to be the right size, economically integrated and have an economic engine, according to the legislation. RTRP expanded to its present thirteen counties, and the nine counties of the Central Region voluntarily aligned with other partnerships. Randolph and Montgomery counties joined the Piedmont Triad Partnership; Anson County joined the Carolinas Partnership; Richmond, Scotland and Hoke counties joined the Southeast; and Chatham, Lee, and Moore joined RTRP.<sup>15</sup> The act specified the appropriate use of funds for the regional partnerships:

- Marketing the region to promote new investment from out-of-town companies
- Promoting travel and tourism or natural resource-based attractions
- Undertaking trade missions
- Marketing and promoting existing industries
- Encouraging attraction or retention of entrepreneurial development
- Promoting and marketing local crafts, industries or other specialized economic development opportunities
- Research-related economic development activities, e.g. industry sector studies, buyer-supplier analyses, and economic development information systems.

As a result, Commerce organized the North Carolina Partnership for Economic Development, a 501(C)3 organization that included the chief executives of each Commission and the Secretary of Commerce. This was intended to serve as a liaison among all the organizations.

The legislature ratified some technical amendments to the act in 1995. For instance, S.L. 1995-0485 increased the number of General Assembly appointees on the Western Commission board from five to seven from each chamber; S.L. 1995-507 moved Cleveland County from the Western Commission to the Carolinas Partnership, and S.L. 1995-509 made some technical changes to the board compositions.

An important change in allocation formula and reporting requirements was made in 1997. Instead of the distress factor, the enterprise factor was now to be used. Also, an amount (\$276,923) equal to the interest that Global Transpark received on the \$7.5 million tag fee was deducted from their allocation and redistributed among the other Commissions.<sup>16</sup>

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14. S.L. 1993-0769.

15. Stevens, op. cit.

16. S.L. 1997-0443.

S.L. 1999-0168 specified revised reporting requirements for the Commissions. They are required to report:

- Program activities, objectives, and accomplishments of year just completed.
- Itemized expenditures and fund sources for past year.
- Next year's planned activities, objectives, and accomplishment.
- Budgeted itemized expenditures and fund sources.
- Annual audited financial statements.
- Number and description of marketing outreach events, trade shows, recruitment missions and related activities.
- Number of inquiries, leads and prospects generated.
- Amount of investment and number of jobs created both directly and indirectly by their activities.
- Number and listing of available sites and buildings.
- Listing of major accomplishments.

APPENDIX G

# Structure and Funding of the Partnerships

As outlined in the brief history of the partnerships (see Appendix F), the seven partnerships came into existence at varying times and for varying reasons. This summary of their coverage, governance, scope, and funding reveals some of the differences among the seven entities.

All 100 counties in North Carolina are included in one of the partnership regions. North Carolina was the first and is still one of the only states that have a regional system of public-private partnerships covering the entire state. Figure G.1 shows the coverage of each region.

Figure G.1: Partnership Map



**Table G.1: Governance — Board Structure & Composition**

<b>Partnership</b>	<b>Enabling Legislation</b>	<b>Organization Type</b>	<b>No. of Members</b>	<b>Appointment</b>
Advantage West	G.S. 158 - 8.1	Public Commission	19	(3) appointed by the Governor; (2) by Lt. Governor; (7) by the House; (7) by the Senate.
Charlotte	NA	Private Non-Profit Corp.	81	(40) \$20,000 per year private investors; (21) member county representatives paying \$50,000 per year; (11) ex officio-past chairmen; and (6) chairman appointees.
Piedmont Triad	NA	Private Non-Profit Corp.	55	(12) appointed by the County Commissioners of member counties; (13) lead economic developer from each member county; (18) \$10,000 contributors; (1) Chair of PTP Foundation; (2) NC Secretary of Commerce and appointee; and (6) at-large directors appointed by the board.
Research Triangle	NA	Private Non-Profit Corp.	55	(10) each by Greater Raleigh and Greater Durham Chambers of Commerce; (3) each from other counties; (1) each from Research Triangle Foundation and RDU Airport Authority.
NC's Southeast	G.S. 158 - 8.3	Public Commission	15	(3) by Governor; (2) by Lt. Governor; (5) by Speaker of the House; (5) by President Pro Tempore.
Eastern	G.S. 158 - 35	Public Commission	43	The County Commissioners from each member county appoint (3) voting members.
Northeastern	G.S. 158 - 8.2	Public Commission	20	(6) by Governor; (6) by Speaker of the House; (6) by President Pro Tempore.

Sources: Partnerships, FY2001–2002 Annual Reports; partnership web sites.

**Table G.2: 2002 Tier Designations of Counties Served by Each Partnership**

	<b>Tier 1</b> (most distressed)	<b>Tier 2</b>	<b>Tier 3</b>	<b>Tier 4</b>	<b>Tier 5</b> (least distressed)	<b>Total</b>
Advantage West	7	3	8	3	2	23
Charlotte	0	1	4	2	5	12
Piedmont Triad	0	1	3	3	5	12
Research Triangle	2	0	1	3	7	13
NC's Southeast	1	5	1	3	1	11
Eastern	2	4	4	3	0	13
Northeastern	11	1	4	0	0	16
<b>Total</b>	23	15	25	17	20	

Source: Calculated from data at [www.nccommerce.com/finance](http://www.nccommerce.com/finance).

**Table G.3: Mission Statements**

<b>Partnership</b>	<b>Mission Statement</b>
Advantage West	Our primary focus is marketing the North Carolina mountains to corporations seeking to relocate or open a new facility, expand an existing business within our region, and those who might otherwise improve the quality of life for citizens within our region through activities such as filmmaking and tourism.
Charlotte	(1) Marketing the Charlotte region to the world, (2) to facilitate an effective economic development dialogue for the Charlotte region, (3) to support the economic development efforts of the Charlotte Regional Partnership investors, and (4) to build cohesive relationships among the Charlotte region's private and public sectors.
Piedmont Triad	The primary responsibilities of the Piedmont Triad Partnership are external marketing, public and media relations, market and project research, and technology development, including maintenance of an effective website. Additionally, however, the Piedmont Triad Partnership has other responsibilities, including internal marketing, public relations and media relations within the 12-county region, and support of programs that are unique to the Piedmont Triad region.
Research Triangle	The Research Triangle Regional Partnership is a public-private partnership whose mission is to market a 13-county region for the economic benefit of its communities. Our programs include: (1) unifying voice of business, (2) marketing, and (3) product development.
NC's Southeast	Our mission is to aggressively market North Carolina's Southeast as an ideal destination for businesses looking to expand or relocate into any of the 11 counties that make up the Southeast North Carolina. Added to this mission is a long-term goal to diversify the region's economy in order to recruit better jobs for our people and build a stronger tax base for our communities.
Eastern	Our mission is to promote and encourage economic development by fostering or sponsoring development projects to provide land, buildings, and infrastructure requirements for business and industry within the 13-county development zone.
Northeastern	NC's Northeast Partnership implements economic development marketing and business recruitment strategies for its sixteen member counties. The NE Partnership also implements aggressive tourism marketing and promotional activities.

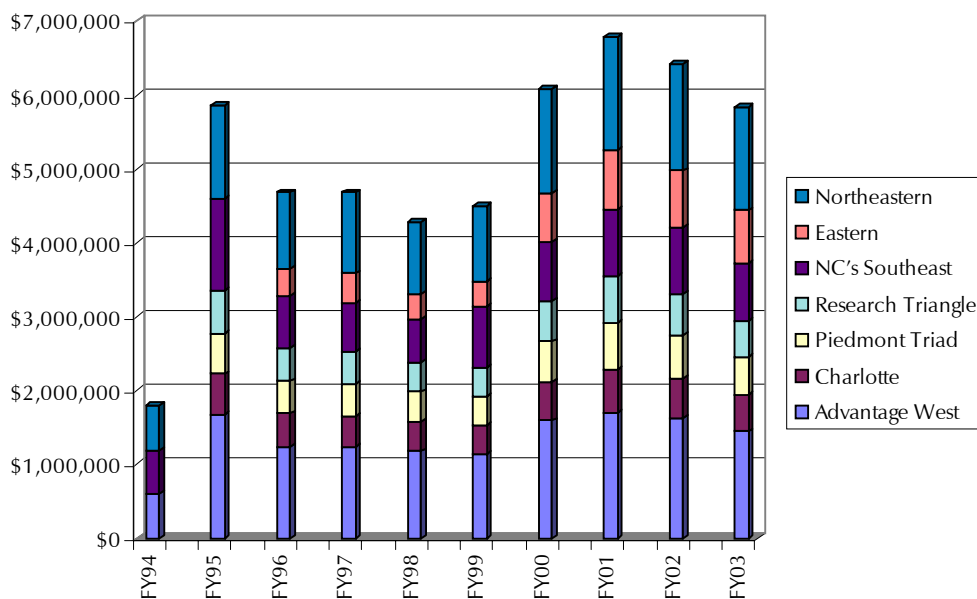
Sources: Partnership annual reports, web sites, and marketing materials.

**Table G.4: Staffing and State Support**

<b>Partnership</b>	<b>Current FTEs</b>	<b>Total State-funded Expenditures FY01-02</b>	<b>Percent of Budget from State Appropriations</b>
Advantage West	6	\$1,379,334	68%
Charlotte	9	\$596,682	24%
Piedmont Triad	6	\$548,695	25%
Research Triangle	5	\$514,571	57%
NC's Southeast	4	\$758,633	57%
Eastern	7	\$721,864	35%
Northeastern	4.5	\$1,435,117	66%
<b>Total</b>	<b>41.5</b>	<b>\$5,954,896</b>	

Sources: Partnerships, FY2001–2002 Annual Reports; partnership web sites.

**Figure G.2: History of Partnership Appropriations from the NCGA**



Source: Fiscal Research Division, N.C. General Assembly

**Table G.5: Detailed History of Appropriations for Each Partnership**

Commission	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	Total
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Certified	
Advantage West	600,000	1,669,999	1,243,691	1,238,694	1,175,989	1,142,634	1,590,718	1,696,611	1,625,633	1,445,150	13,429,119
Charlotte	—	552,222	445,377	414,767	400,810	384,587	527,321	596,682	532,105	487,609	4,341,480
Piedmont Triad	—	554,344	437,514	431,581	404,415	393,607	543,995	623,819	597,743	528,541	4,515,559
Research Triangle	—	573,435	443,450	435,537	393,298	392,405	542,745	622,944	553,109	468,885	4,425,808
NC's Southeast	600,000	1,250,000	713,805	673,583	589,797	813,457	807,448	903,506	887,425	790,243	8,029,264
Eastern	—	—	359,242	391,884	345,924	351,555	647,551	804,216	776,198	716,239	4,392,809
Northeastern	600,000	1,250,000	1,036,921	1,093,954	964,767	1,021,755	1,415,222	1,527,223	1,452,787	1,393,333	11,755,962
<b>Total</b>	<b>1,800,000</b>	<b>5,850,000</b>	<b>4,680,000</b>	<b>4,680,000</b>	<b>4,275,000</b>	<b>4,500,000</b>	<b>6,075,000</b>	<b>6,775,000</b>	<b>6,425,000</b>	<b>5,830,000</b>	<b>50,890,000</b>

Source: Fiscal Research Division, N.C. General Assembly.

Notes:

- (1) Appropriation amounts shown here differ from, and are greater than, the year-end state-funded expenditure amounts in most cases. We do not have the detailed year-end expenditure breakdown before FY1999, but in FY00 the total allocation was \$5.7 million, in FY01 it was just under \$6.7 million, and in FY02 it was \$5.9 million.
- (2) The General Assembly appropriated \$7.5 million to the Global TransPark Development Commission in 1993, but the Commission was not included in the Regional Commissions appropriation until 1995-96. From that point forward, the Commission has had subtracted from its annual allocation the amount of interest earned on its balance. That amount is then redistributed among the other six Commissions.
- (3) The allocation for the Southeastern Commission for FY 1998-99 includes a \$225,000 special appropriation in addition to the commission's share under the funding formula.
- (4) FY 2000-01 figures for each commission include a \$50,000 nonrecurring appropriation that is in addition to the recurring funding allocated by the formula.
- (5) FY 2002-03 figures reflect a decrease of \$85,000 for each commission that is in addition to any changes made through the formula. The Governor has implemented further reductions of 3.67% to each Commission's allocation. The authorized total appropriation including the Governor's reduction is \$5,615,955.



## APPENDIX H

# *Findings from the Practitioner Survey*

**O**ED developed a survey to be completed by interview and focus group participants following our field visit. We later provided the survey in a web-based format. Over 100 people completed these surveys, including Commerce staff, partnership staff and board members, local economic developers, and allies. The surveys contained three main segments:

- a) Perception data (on a scale from one to four) about the strength of various state and regional economic development efforts and programs
- b) Information about the frequency of interaction of various economic development actors, using a networking analysis
- c) Two open-ended questions, one about how to improve recruitment and one on how to improve retention and expansion efforts

The findings from each of these segments are reported in the sections that follow.

## a) Perception scales

**Table H.1: Results from Perceptions Survey, by Role**

How would you rate each of the following currently (December 2002-February 2003)?

1=Exemplary; 2=More Strengths than Weaknesses; 3=More Weaknesses than Strengths; 4=Weak

	Mean responses:				
	48.4%	65.5%	35.1%	47.8%	82.6%
response rate					
# of responses	104	19	33	33	19
	All ED actors	Commerce staff	Partnership staff and board	Local ED staff	Allies
Commerce system for tracking leads and client handling	2.4	2.0	2.5	2.6	2.4
The strength of the North Carolina brand as a business location	2.3	1.8	2.5	2.3	2.3
Commerce's web site	2.6	2.7	2.9	2.5	2.4
The strength of the brand of the regions:					
Advantage West	2.3	2.6	2.2	2.1	2.6
Charlotte	1.9	2.0	1.6	2.0	1.9
Piedmont Triad	2.4	2.5	2.2	2.3	2.4
Research Triangle	1.7	1.9	1.5	1.9	1.8
Southeast	3.1	3.3	3.2	2.9	2.7
Eastern	3.2	3.6	3.3	3.2	2.5
Northeastern	2.9	2.9	3.2	2.7	2.7
The consistency of recruitment marketing messages across the state	3.1	3.1	3.2	3.1	2.9
Commerce's retention calling program	2.7	1.8	3.6	2.5	2.9
Commerce's system for tracking retention and expansion activity	2.8	2.3	3.4	2.7	2.7
The strength of the brand of N.C. for companies already here	2.4	2.3	2.4	2.6	2.2
Commerce's web site, for retention purposes	3.2	3.1	3.5	3.2	2.5
The regional web sites as resources for retention/expansion:					
Advantage West	2.3	2.6	1.7	2.5	2.6
Charlotte	2.3	2.1	1.6	3.0	2.4
Piedmont Triad	2.6	2.3	2.4	2.8	3.1
Research Triangle	2.5	2.7	2.0	2.2	3.0
Southeast	2.7	2.6	2.0	3.0	3.3
Eastern	2.9	3.0	2.6	3.3	2.8
Northeastern	2.7	2.5	2.3	2.6	3.8
The consistency of marketing messages to existing industry across the state	3.2	2.7	3.3	3.3	3.2
The effectiveness of local resources for existing industry in your local area:					
Community colleges	1.6	1.5	1.8	1.4	1.6
Local chamber of commerce	2.3	2.5	2.2	2.4	2.3
Local travel and tourism authority	2.4	2.6	2.2	2.3	2.5
NCSU Industrial Extension Service	2.4	2.7	2.3	2.3	2.2
SBTDCs	2.5	2.4	2.3	2.7	2.4
UNC institutions	2.3	2.2	2.4	2.5	2.1
N.C. Biotechnology Center	2.3	2.1	2.6	2.3	1.9

**Table H.2: Results from Perceptions Survey, by Region**

How would you rate each of the following currently (December 2002-February 2003)?  
 1=Exemplary; 2=More Strengths than Weaknesses; 3=More Weaknesses than Strengths; 4=Weak

Mean responses:									
# of responses	103	23	9	13	12	6	21	6	13
	NC	AW	CLT	Triad	RT	SE	East	NE	Ral
Commerce system for tracking leads and client handling	2.4	2.2	3.3	2.3	2.4	2.0	2.3	3.2	2.1
The strength of the North Carolina brand as a business location	2.3	2.3	2.9	2.2	1.9	2.4	2.3	2.2	2.0
Commerce's web site	2.6	2.6	3.4	2.3	2.1	2.4	2.8	2.0	2.8
The strength of the brand of the regions:									
Advantage West	2.3	2.0	2.4	3.3	2.7	2.0	2.0	1.5	2.5
Charlotte	1.9	2.3	1.8	1.9	1.8	2.0	1.4	1.7	2.1
Piedmont Triad	2.4	2.3	2.4	2.8	2.3	2.0	2.0	1.5	2.5
Research Triangle	1.7	2.0	1.8	1.4	1.6	2.0	1.5	1.7	2.3
Southeast	3.1	2.9	3.0	3.5	3.0	2.3	3.3	2.0	3.2
Eastern	3.2	3.0	3.0	3.8	3.0	1.7	3.3	3.0	3.2
Northeastern	2.9	3.0	3.0	3.6	3.0	2.0	3.0	1.4	3.1
The consistency of recruitment marketing messages across the state	3.1	3.1	3.4	3.5	2.5	2.8	3.3	2.6	3.2
Commerce's retention calling program	2.7	2.6	3.0	3.3	2.4	2.5	2.7	2.8	2.3
Commerce's system for tracking retention and expansion activity	2.8	2.9	2.8	2.8	2.8	2.4	2.8	3.0	2.5
The strength of the brand of N.C. for companies already here	2.4	2.5	2.1	2.2	2.1	2.0	2.7	2.6	2.3
Commerce's web site, for retention purposes	3.2	3.0	3.8	3.1	3.0	2.8	3.3	2.5	3.3
The regional web sites as resources for retention/expansion:									
Advantage West	2.3	2.0	3.2	2.5	3.0	2.0	2.8	2.0	2.5
Charlotte	2.3	2.5	2.3	1.0	3.0	2.0	2.3	2.0	2.4
Piedmont Triad	2.6	2.7	4.0	2.4	3.0	2.0	2.3	2.0	2.7
Research Triangle	2.5	2.7	4.0	2.5	1.9	2.0	2.3	2.0	2.9
Southeast	2.7	2.7	3.3	2.0	3.0	1.7	3.3	2.0	2.6
Eastern	2.9	3.0	4.0	DK	3.0	2.0	3.1	2.0	2.9
Northeastern	2.7	3.0	4.0	DK	3.0	2.0	2.3	2.0	3.0
The consistency of marketing messages to existing industry across the state	3.2	3.1	3.6	3.4	2.9	2.6	3.4	3.2	2.9
The effectiveness of local resources for existing industry in your local area:									
Community colleges	1.6	1.4	1.9	1.8	1.4	1.5	1.5	1.8	1.5
Local chamber of commerce	2.3	2.3	2.9	2.5	1.8	3.0	2.2	2.2	2.0
Local travel and tourism authority	2.4	2.1	2.9	2.6	1.9	3.0	2.4	2.2	2.3
NCSU Industrial Extension Service	2.4	2.6	2.8	2.7	2.3	2.2	2.2	1.8	2.1
SBTDCs	2.5	2.7	3.4	2.3	2.1	2.0	2.2	2.7	2.4
UNC institutions	2.3	2.4	2.4	2.5	1.7	2.0	2.0	2.6	2.2
N.C. Biotechnology Center	2.3	3.0	2.8	1.6	1.6	2.3	2.4	2.8	1.7

Focusing on the responses overall, we see that the greatest problems are consistency of the recruitment and retention marketing messages, and Commerce's web site for retention purposes. The variations in responses by different economic development actors are also interesting. The eastern North Carolina regions are perceived to have the greatest branding challenge. The partnership-affiliated respondents were uniformly more critical than others of Commerce activities, and Commerce personnel were more critical than others of region-based activity, which is another indicator of tension between these two groups.

## b) Networking analysis

Each respondent was asked to indicate his or her own role, and then to describe the frequency of interaction with others in the recruitment process. We did not have sufficient responses to do a valid analysis, despite having a useful networking analysis tool.<sup>1</sup> The impression the data suggest is that the actors who interact the most frequently with each other are regional Commerce staff, partnership staff, and local ED staff. That may be in part due to the task-oriented nature of their work. One well-placed contact with a decision maker may be all that is required to do an effective job. Frequency of interaction is not a good proxy for quality. Nonetheless, economic development is a relationship business. Some actors in any system are completely connected in their strategy and execution, and others are on the periphery.

## c) Summary of open-ended survey responses

*Key to this survey response summary:*

**Topic [number of comments about that topic]**

- Specific suggestion [number of comments with similar sentiment]

*Examples of quotes*

**Recruitment Process, Total Respondents = 86**

### Clear Vision and Strategy [16]

- Develop a statewide unified marketing strategy [12]

*“The state needs to have a clear over arching marketing campaign and direction . . . each region should be invited to participate in the development of that plan and support with their own programs those elements of the campaign that are consistent with regional efforts. If the regions have ownership of the big plan you are more likely to have them invest in its success.”*

- Reevaluate the county tier system [3]

*“The tier designations should be calculated more frequently or deleted from the program. The state is penalizing counties who have been successful in economic development. A company will not locate in a remote location just for incentives. If the state intends to keep the tier system, they should re-designate more frequently or use a formula that more accurately reflects current economic conditions.”*

- Reevaluate the William S. Lee Act [1]

### Coordination & Collaboration [51]

- Encourage and reward information sharing and communication among Commerce, local economic developers & partnerships [19]

*“Currently, there is an absence of coordination and communication between the state and regions.”*

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1. Borgatti, S.P., M.G. Everett, and L.C. Freeman, 1999. *UCINET 6.0 Version 1.00*. Natick, MA: Analytic Technologies.

*“The local developers should have more interaction with Commerce staff through a formalized process to provide information about plans and programs. There is no effort on the part of Commerce to communicate on a regular basis about activity in local areas or providing information about their activities.”*

*“Establish a team relationship between Commerce Raleigh, the partnerships and county ED offices.”*

■ Develop protocols that clearly define processes and roles [13]

*“Need seamless-consistent protocol for project management and service delivery to clients.”*

*“Clearly define the roles of each organization involved in the process such that they complement each other.”*

*“Everyone should know the “game plan” for N.C. and understand their role as a team member. Now, there is a huge disconnect most of the time.”*

■ Designate Commerce as the lead economic development agency [12]

*“Commerce needs to be lead agency and funded as such, . . . As a lead agency, Commerce needs to work with local and regional offices to determine which industries work best for individual counties and communities. The importance of having this done at the state level ensures that the state’s economy works in tandem.”*

*“The process needs to be spearheaded by one main agency, which should be the N.C. Dept of Commerce. All leadership and continuity should come from this agency.”*

*“We need one group in charge of the process. Others can help, but there needs to be no doubt in the client’s mind who is in charge and who can get them the answers. That group needs to be Commerce. They need to be funded properly and left alone. We didn’t get to be number one in the nation for all of those years because Commerce didn’t know what it was doing. If you look at the years prior to ‘94, N.C. ranks near the top or on the top, but every year after that has been a slow decline. The system has been diluted and filled with people and groups that are just interested in what credit they can get to keep funding coming their way.”*

■ Eliminate redundancy between Commerce and partnerships [7]

*“In my opinion, the process and teams should be consolidated to streamline the process and better utilize limited resources. I believe strongly that the regional approach with state coordination would be a much more effective approach. Currently, there is an absence of coordination and communication between the state and regions.”*

*“Partnerships and Commerce should complement services, not duplicate them, as is the case in some regions.”*

**Regionalism [7]**

- Maintain regional partnerships; however, increase the coordination between the partnerships and Commerce [6]

- Eliminate regional partnerships and instead fund regional Commerce offices [1]  
*“Get rid of regional commissions/partnerships and centralize every thing back with Commerce. Give more resources to regional Commerce offices.”*

### Leadership [13]

- Remedy the perceived leadership void in economic development [10]  
*“Economic Development in N.C. lacks leadership.”*  
*“Leadership is essential in developing a team and trust is a must. We feel we have that atmosphere here in our region and if we could get there on a statewide level N.C. would be a real winner!”*
- Hire Assistant Secretary for Economic Development that has strong economic development credentials [3]  
*“Give us a professional Economic Developer as the Assistant Secretary of Commerce. This should be a position based on performance and not appointed.”*

### Lack of Resources [44]

- Make more incentive funds/programs available for economic development [21]  
*“The process is fine, just need more tools (incentives) in the toolbox.”*  
*“Incentives increased to a level that allows N.C. to be on level playing field with competing states.”*  
*“The state incentive program must be strengthened! Local governments cannot compete with other state incentives.”*
- Increase funding for Commerce [9]  
*“Strengthen Raleigh Commerce with additional resources.”*
  - Commerce needs \$’s to effectively implement state-wide marketing plan [5]  
*“Increase funding for marketing by Commerce — it will always be the key marketing organization for economic development”*
  - Regional Commerce offices need more funding in order to be effective [2]
- Create greater flexibility to access and utilize the resources we do have [4]  
*“Allow flexibility among the various partnerships . . . do not handcuff them by forcing all to operate the same way.”*  
*“More flexibility within Commerce and Governor’s office to give quicker response at decision time.”*
- Create stability in state funding for Commerce and the partnerships [3]  
*“Commerce and regional partnerships are both crucial; standardize their funding so that they can develop and implement a plan.”*  
*“Expanded and consistent funding for Commerce and regional efforts, perhaps through a dedicated funding vehicle.”*

## Structure [2]

### ■ Privatize Commerce's B&I Division [2]

*"Totally restructure Commerce. Perhaps privatize. The Commerce operates as it did 20 years ago. There are a few good people in the organization, however the only way to effect real change is to dismantle the existing group and totally rebuild."*

*"Privatize the activities currently done by B&I Raleigh staff, B&I regional staff, and Commerce marketing/recruitment."*

## Performance Measurement [7]

### ■ Measure partnerships on marketing, not job creation and investment [4]

*"Hold partnerships accountable for marketing accomplishments not job creation and investment . . . marketing and planning was their original legislative intent."*

*"The partnership role should be marketing the region only and not be involved in client handling."*

### ■ Measure partnerships on their role in providing infrastructure grants and deal-closing money [3]

*"We have never received a lead through our partnership. The only significant activity thus far is providing grants and loans to local developers — which is extremely valuable, but an inefficient process."*

*"The partnership needs to get out of the recruitment process and focus on those things it does well, like infrastructure, legislative issues and sources of grant funding to assist local developers."*

### ■ Create performance-based incentive system for Commerce staff

## *Retention & Expansion Process, Total Respondents = 71*

## Clear Vision and Strategy [35]

### ■ Encourage greater emphasis on retention and expansion activities [11]

*"More emphasis should be placed on retention and expansion of local industry, the source of 80% of all new jobs for North Carolina."*

*"Much more emphasis by local ED offices should be placed on serving existing industries than on "chasing buffalo." After all, the existing people are paying the taxes, hiring the workers, etc., and grow weary of hearing that we have lavished deal "X" on company "Y." They want concessions, attention, and service, too. They deserve it! Finally, it is much easier (and cheaper) to keep one and expand it, than to try to induce one and land it."*

*"Focusing on the existing business pays bigger dividends than hunting buffalo."*

### ■ Reevaluate incentives program to support overall R&E efforts [24]

- Discrepancy between (Lee Act) incentives provided for existing industry and recruited new industry
- Many of best existing companies don't qualify

*"Local industries should be entitled to the same incentives as new manufacturing concerns."*

*"Priority as to incentives should be more readily available to retain/expand vs. new industry that is just going where they can get the "best deal." Their loyalty is not the same as existing industry."*

*"We need to shape our incentives to better help this process. This is a gray area and hard to come up with hard facts, but we have to keep the viable industries that we have and help them expand."*

*"Incentives are important for recruiting and R&E. Make Wm Lee credits salable because many small companies can't take advantage of credits. Provide incentives stronger to retain co or at least as strong as recruiting. A low-paying job is far better than no job."*

### **Coordination [10]**

- Encourage and coordination and communication between the following economic development players: [4]

- Commerce R&E and others in Commerce
- Commerce & local developers, especially in urban areas
- Commerce & partnerships
- State agencies generally (DOT, DENR, Revenue, Commerce)

*"Needs to be better coordinated with local developers. Will find Commerce is calling on our local companies without letting our existing industry person know. Creates confusion."*

- Encourage the sharing of data and information between economic development players [5]

- Commerce & partnerships
- Partnership & local economic developers

*"SHARE INFORMATION, make industry call reports on project management system available as research...currently not accessible to others."*

*"Standardize data gathering by Commerce existing industry reps. More in-depth analysis of gathered data. Most importantly, sharing of the data and analysis with the partnerships and local ED offices."*

*"Existing industry suppliers, needs and wants should be shared with partnership to assist with marketing and targeting."*

- Agree upon and clarify roles of economic development players focused on retention and expansion [1]

### **Leadership**

- Need involvement of Governor & Secretary [1]

*"More visibility from the state level to R&E activity."*

### **Lack of Resources [15]**

*"There are simply insufficient resources (people and money) to effectively track and ensure the retention/expansion of business."*

- Increase staffing of regional offices [8]

*"More staff at Commerce would allow for more contact hours with existing employers leading to better understanding of their needs and ways N.C. could help them."*

*"The regional offices are undermanned and have limited resources to do their job."*

- Create R&E resources on Commerce website so existing businesses are aware of available resources and programs [2]

*"Add a web page on the Commerce web site describing the available resources to current industries."*

- Effectively use existing resources that are already available [2]

*"Make use of the many services that are available to assist companies with their problems and help them operate successfully. Include services offered by Local, State, Federal, and Private organizations including non-profits."*

#### **Structure [10]**

- Local resources should be spent on R&E while marketing should be done at the state and regional levels [2]

*"Local ED programs should be encouraged to be dedicated primarily to retention/expansion, with stronger state support role. Locals should de-emphasize external marketing, which should be done at state and regional level. Locals should let strong retention/expansion program drive targeted recruitment through buyer/supplier networks, headquarters calls, cluster analyses, etc."*

- Local economic developers should call on existing industry [6]

*"Retention/Expansion is almost entirely a local developer function — and should be. There are numerous resources available to local developers to assist when issues with existing industry develop, and it is incumbent on the local developers to develop relationships with these resources."*

*"Increase number of developers calling on existing industries . . . no way Commerce can call on all of them once a year."*

- Expand the role of the Chambers of Commerce [2]

*"Can best be done at local level. This is the one job Chambers could do best, but nobody wants the job."*

#### **Performance Measurement [4]**

- Create performance-based measurement system for Commerce [3]

*"Don't base the program just on numbers of calls . . . let's base it on quality assistance that truly helps the company."*

*"Stop counting numbers of contacts. Develop measurement of customer satisfaction."*

- Remove ineffective project managers [1]

*"Because of the ineffectiveness of our local Commerce representative, we typically do not work with the Commerce representative in our retention and expansion efforts."*



## APPENDIX I

# *List of Focus Group and Interview Participants*

### **N.C. Department of Commerce:**

#### **Attendees of Meetings in Raleigh on December 11, 2002**

Ken Allen, Southeastern Regional Office, existing industry specialist  
Peggy Anderson, Industrial Recruitment, economic development rep  
Bruce Andrews, Industrial Recruitment, economic development rep  
Gene Byrd, Existing Industry Services, manager  
Holly Crosby, Policy, Research, and Legislative Affairs, market research analyst  
Ray Denny, Business and Industry Division, director  
Susan Fleetwood, Industrial Recruitment, economic development rep  
John Gurganus, Northeastern Regional Office, existing industry specialist  
Joe Holbrook, Western Region/Lenoir Office, economic developer  
Ronnie James, Western Region/Fletcher Office, economic developer  
Martyn Johnson, Industrial Recruitment, economic development rep  
Paul Jordan, environmental consultant  
Ron Leitch, Charlotte Regional Office, economic developer  
Jim Nichols, Industrial Recruitment, director of elect. & inform. tech. dev  
Kathy Parker, Eastern Regional Office, regional assistant  
Donna Phillips, Eastern Regional Office, existing industry specialist  
Al Plyler, Charlotte Regional Office, existing industry specialist  
Vivian Powell, Research Triangle Regional Office, economic developer  
Annette Ragan, Existing Industry Services  
Richard Roberson, Industrial Recruitment, economic developer  
Vann Rogerson, Northeastern Regional Office, economic developer  
Bill Shore, Piedmont Triad Office, economic developer  
Bill Stevens, Business and Industry Division  
Becky Stricklin  
Bernard Torain, Piedmont Triad Regional Office, existing industry specialist  
Steve Yost, Southeastern Regional Office, economic developer

## **Advantage West:**

### **Attendees of Meetings in Asheville on December 20, 2002**

Charles Abernathy, McDowell Economic Development Association, executive director

Jay Boyd, Grove Park Inn Resort & Spa, director of sales and marketing

Erik Brinke, Blue Ridge Mountain EMC, economic developer

Tommy Burleson, Avery County Inspections & Planning Department, director

Raymond Burrows, Commerce Western Region/Fletcher Office, retention/expansion developer

Leeanne Campbell, Blue Ridge Motion Pictures, studio head

Dale Carroll, WNC Regional EDC, president

Chris Cavanaugh, Biltmore Estate, vice president of marketing

Paul Combs, Appalachian Regional Development Institute, director

Judy Donaghy, High Country Host, executive director

Scott Ellis, Haywood County TDA, executive director

Richard Faulkner, Congressman Taylor's office, district representative

Bill Gibson, Southwestern Commission, executive director

Merwin Gross, Blue Ridge Motion Pictures, executive producer

Connie Haire, Southwestern Community College, vice president, Student & Institutional Development

Gwen Harris, Yancey EDC, director

Hope Hopkins, Burke EDC, administrative assistant

Betty Huskins, WNC Regional EDC, vice president, public affairs & corporate development

David Huskins, Ridgetop Associates (Avery Co.), president

Ronnie James, Commerce Western Region/Fletcher Office, manager

Mary Jeager-Gale, Chimney Rock Park, marketing manager

Tom Johnson, Burke EDC, executive director

Jim Lancaster, Rutherford County EDC

Alan Lang, Department of Community Assistance

Craig Madison, Grove Park Inn Resort & Spa, vice president and general manager

Tom McClure, Western Carolina University, acting vice chancellor, Advancement & External Affairs

Stephen Metcalf, N.C. Senate, senator

Kelly Miller, Asheville Convention & Visitors Bureau, vice president/executive director

Sam Neill, Attorney-At-Law

Mark Owen, WNC Regional EDC, director, communications & research

Chester Pankowski, Western Carolina University Center for Regional Development

Van Phillips, Mitchell County EDC, interim director

Dave Porter, Asheville Area Chamber of Commerce, vice president, economic development

Sam Powers, WNC Regional EDC, vice president, industrial marketing

David Reeves, The Capital Corporation  
Cathy Robbins, Tweetsie Railroad, marketing director  
Jim Roberts, WNC Regional EDC, director, Mountain Council for Entrepreneurial Development  
Kate Russell-Cobb, Mountain South USA, director of tourism development  
Greg Rutherford, Haywood Community College, dean, Workforce Development & Regional High Technology Center  
Wilma Sherrill, N.C. House of Representatives, representative  
Mark Singleton, Nantahala Outdoor Center  
Ronnie Stillwell, Swain County EDC, economic development administrator  
Jim Stokoe, Land-of-Sky Regional Council, assistant director and planner  
Joel Storrow, McGill Associates, president  
Barbara Vicknair, Rural Prosperity Task Force, chair of Cherokee Co. Comm.  
Bill Ward, BUILDERadius, CEO  
Mary Nell Webb, WNC Regional EDC, film commissioner  
David Williams, City of Asheville, economic development director  
Patrick Woodie, New River Community Partners, executive director

### **Charlotte:**

#### **Attendees of Meetings in Charlotte on December 19, 2002**

Michael Almond, Charlotte Regional Partnership, president & CEO  
David Cline, Cirrus Medical Staffing, Charlotte Regional Partnership, chairman  
Michael Crum, Auditorium/Coliseum/Convention Center Authority  
Mark Heath, Charlotte Regional Partnership, senior vice president for economic development  
Donny Hicks, Gaston County EDC  
Angie Lawry, Charlotte Regional Partnership, director of communications and investor relations  
Steve Luquire, Luquire George Andrews  
Andy Matthews, Matthews Construction Company  
Jeff McKay, Greater Statesville Development Corporation  
Scott Millar, Catawba County EDC  
Peggy Turbeville, Stanly County EDC  
Chris Wease, Anson County, county manager

### **Piedmont Triad:**

#### **Attendees of Meetings in Greensboro on January 7, 2003**

Watts Carr, Piedmont Triad Partnership Board, vice chair  
Loren Hilliard, High Point EDC, president  
Don Kirkman, Piedmont Triad Partnership, president  
Bob Leak, Winston-Salem Business, Inc., president  
Dan Lynch, Forward Greensboro, senior vice president  
Bonnie Renfro, Randolph County EDC, president

Rodger Sauls, Piedmont Triad Partnership Board, Progress Energy  
Becky Smothers, Piedmont Triad Partnership Board, chairman  
Steve Strawsberg, Piedmont Triad Partnership Board, treasurer  
Robert Todd, Yadkin Chamber, economic developers advisory group chair  
Bernard Torain, Commerce Piedmont Triad Regional Office, existing industry specialist  
Charles Tuttle, Piedmont Entrepreneurs Network, executive director  
Penny Whiteheart, Piedmont Triad Partnership, senior vice president  
Richard Wiley, Piedmont Triad Partnership Board, Duke Power Company

### **Research Triangle:**

#### **Attendees of Meetings at RDU Airport on December 12, 2002**

Ted Abernathy, Research Triangle Regional Partnership, executive vice president  
Ken Atkins, Wake County Economic Development Program  
Jim Brown, RBC Centura, international banker  
Bo Carson, Research Triangle Regional Partnership, director of research  
Ted Conner, Durham Chamber of Commerce, vice president of economic development  
Monica Doss, Council for Entrepreneurial Development, president  
Pat Gilliland  
Ronnie Goswick, Franklin County Economic Development Board, Regional Advisory Committee  
Carey Greene, Durham Chamber of Commerce, economic development research director  
Charles Hayes, Research Triangle Regional Partnership, president  
Southgate Jones, Research Triangle Regional Partnership, board of directors chairman  
Glen Newsome, Person County Economic Development, board of directors' secretary  
Bill Pappas, Parker, Poe, Adams & Bernstein, LLP, attorney  
James Roberson, Research Triangle Foundation of North Carolina, RTRP board chairman elect  
Gary Shope, Research Triangle Park, vice president of marketing  
J.D. Soloman, CH2M, board of directors' treasurer  
Tom White, Durham Chamber of Commerce, president

### **N.C.'s Southeast:**

#### **Attendees of Meetings in Elizabethtown on December 13, 2002**

J.C. Bachelor, N.C.'s Southeast, board member  
Paul Butler, N.C.'s Southeast, director  
Roger Hall, N.C.'s Southeast, board member

Chuck Heustess, Bladen County EDC, Technical Advisory Group for NCSE,  
president  
Billy Horne, N.C.'s Southeast, board member  
Ken Maxwell, Progress Energy  
Marie McKoy, N.C.'s Southeast, technology specialist  
Don Porter, Raeford/Hoke County EDC  
Jane Smith, N.C.'s Southeast, board chair  
Kristy Smitherman, N.C.'s Southeast, marketing manager

**Eastern:**

**Attendees of Meetings in Kinston on December 9, 2002**

Calvin Anderson, N.C.'s Eastern Region, board chairman  
Nita Brinson, Lenoir County Economic Development Department, administrative  
assistant  
Woody Brinson, Duplin County EDC, executive director  
John Chaffee, Pitt County EDC, executive director  
James Davis, Craven County EDC, executive director  
Frank Emory, N.C.'s Eastern Region, board member  
Roy Fogel, Jones County EDC, economic developer  
Denny Garner, N.C.'s Eastern Region, board member  
Tom Greenwood, N.C.'s Eastern Region, executive director  
Conley Hilliard, Commerce  
Ann Holton, N.C.'s Eastern Region, board member  
Kathy Howard, N.C.'s Eastern Region, research manager  
Dave Inscoe, N.C.'s Eastern Region, board member  
Oppie Jordan, Edgecombe EDC, vice president  
Courtney Kilpatrick, N.C.'s Eastern Region, communications coordinator  
Leonard Kulik, N.C.'s Eastern Region, marketing director  
Jennifer Lantz, Wilson County EDC, executive director  
Luther Ledford, N.C.'s Eastern Region, board member  
Sylvia Nesbett, N.C.'s Eastern Region, grants manager & certified industrial site  
manager  
Horace Phillips, N.C.'s Eastern Region, board member  
David Quick, N.C.'s Eastern Region, board member  
Ann Rice, N.C.'s Eastern Region  
Johnny Rogers, Commerce, region senior economic development rep  
George Shepard, Commerce, economic developer  
Jeremy Stratton, Nash County EDC, vice president  
Julie Snee, Commerce  
William Teel, N.C.'s Eastern Region, board member  
Joanna Thompson, Wayne County EDC, president  
Alice Tingle, Lenoir Community College Economic Development, director

**Northeastern:**

**Attendees of Meetings in Edenton on December 17, 2002**

Sue Bridgeman, Commerce Regional Office, administrative assistant  
Stan Crowe, Martin EDC Board of Directors  
Ann-Marie Knighton, Edenton, town administrator  
Rocky Lane, Halifax Development Commission  
Nancy Nicholls, Edenton-Chowan Chamber of Commerce  
Vann Rogerson, Northeastern Regional Office, economic developer  
Jack Runion, Northeast Partnership, board member  
Cathy Scott, Northeast Partnership, economic development associate  
Bob Spivey, Northeast Partnership, board chair  
Buck Suiter, Northeast Partnership, board member  
Rick Watson, Northeast Partnership, president  
Brenda Womble, Northeast Partnership

**Other Interviews**

Rick Carlisle, former Secretary of Commerce  
Watts Carr, Chair of Recruitment and Retention Committee, Economic  
Development Board  
Dene Dawson, Marketing and Customer Services, Commerce  
Jim Fain, Commerce, Secretary of Commerce  
Philip Horne, Foundation for Renewal of Eastern North Carolina  
Jennifer Hoffman, North Carolina General Assembly, Fiscal Research Division  
Kelly Huffstetler, North Carolina General Assembly, Fiscal Research Division  
Adam Levinson, North Carolina General Assembly, Fiscal Research Division  
John Merritt, Governor's Office  
Dave Phillips, former Secretary of Commerce  
Mike Smith, Marketing and Customer Services, Commerce  
Robert Stolz, Chair of Economic Development Board  
Norris Tolson, former Secretary of Commerce

## APPENDIX J

# *Survey Protocols*

### **Contents**

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Input Form for Kenan-Flagler Study of N.C. Department of Commerce and Regional Commissions .....	J-11

These are the topic guides and input forms used in our meetings and surveys to collect most of the data for this report.



## Questions for Interviews and Focus Groups

### *Questions for meetings with senior staff of partnerships and Commerce*

1. We understand that your mission as written is \_\_\_\_\_. Is this an accurate reflection of what your organization does? If not, what is different/missing?
  - a. Does your organization have the tools it needs (e.g. budget, staff, programs, etc.) to achieve its goals? If not, what is needed? What roadblocks exist?
2. Referring to the schematic, how do you differentiate the roles, responsibilities and activities of the various state, regional and local agencies, including yours, in the recruitment process? Please give an example that illustrates who is involved and what activities occur.
  - a. How are the activities coordinated? Who decides who has the lead and at what point in the process?
  - b. This schematic shows the processes as we understand them. Have we gotten it right? Is anything different/missing?
3. How is retention and expansion (investment and jobs) different from recruitment in terms of roles and responsibilities, and coordination issues?
4. How do you track your outcomes?
  - a. Does the way you measure now reflect the full impact of your activity? What should be improved?
  - b. Do you believe that the way the state asks you to report outcomes is valid? Does it measure the right things? How should it be improved?

### *Questions for all meetings*

1. From your perspective, how effective are North Carolina **recruitment** efforts? How would you improve the process?
2. How efficient is the North Carolina **recruitment** process (bang for buck)? How would you improve the process?
3. From your perspective, how effective are North Carolina **retention and expansion** efforts? How would you improve the process?
4. How efficient is the North Carolina **retention and expansion** approach? How would you improve the process?

*Select appropriate pairs from these next four, depending on who is in the group:*

5. In what ways does Commerce (Raleigh and regional staff) **assist** your operation?

*Appendix J: Survey Protocols*

6. In what ways does Commerce (Raleigh and regional staff) **hinder** your operation?
7. In what ways do the regional partnerships **assist** your operation?
8. In what ways do the regional partnerships **hinder** your operation?
9. How could communication or coordination be improved amongst all the economic development players?
10. Should the state change the funding formula or funding methods for agencies involved with economic development efforts? If yes, why and how?
11. Should North Carolina change its economic development structure, funding or policy to foster better coordination and communications among state, regional and local actors?
12. Do you think that North Carolina and its regions have a unified marketing message? Do they need one? How would you handle it if you were in charge?

*Questions just for local developers:*

13. How much of the investment and job creation from **recruitment** in your local area happens though...?
  - a. Commercial real estate deals that involve you but not the state
  - b. Commercial real estate deals that don't involve you
  - c. Projects that you work with Commerce on
14. How much of the investment and job creation from **expansions** in your local area happens through...?
  - a. Commercial real estate deals that involve you but not the state
  - b. Commercial real estate deals that don't involve you
  - c. Projects that you work with Commerce on

## Questions for Site Selection Consultants

We are working on a study requested by North Carolina’s legislature to assess the effectiveness of the North Carolina Department of Commerce and the seven regional economic development partnerships in facilitating investment. Our focus is on issues of structure, process, communications, coordination, and how each organization’s performance is measured. Our report is due March 15. We have held a series of meetings in each region of the state and with the Department of Commerce. We appreciate your assistance and perspective on a few short questions. We will hold this information in strict confidence, not attribute any quotes, and only use the information in the aggregate to improve NC recruiting performance.

In the past year, did you talk about a North Carolina site with any of your clients?

Y                      N (TERMINATE)

With what percent of clients did you talk about a North Carolina site \_\_\_\_\_

Of those clients you discussed a North Carolina site with:

- What percent of clients initiated the discussion of NC \_\_\_\_\_
- For what percent of your clients did you first mention an NC site \_\_\_\_\_
- What percent of the time did NC make the short list for consideration \_\_\_\_\_
- When NC did not make the short list, what were the reasons?  
\_\_\_\_\_

Of those clients you discussed a NC site with, who have made a final decision:

- What percent chose a NC site \_\_\_\_\_
- What percent chose another location after considering NC \_\_\_\_\_
- Where did clients who had considered NC locate \_\_\_\_\_  
\_\_\_\_\_
- What percent abandoned their project \_\_\_\_\_

Based on your experience with many states, how would you rate NC competitiveness as a business location for your clients?

1	2	3	4	5
well below	below	average	above	well above

How has NC competitiveness changed over the last five years?

1	2	3	4	5
much less	less	same	more	much more

What would you say are the greatest advantages of an NC site relative to other states?

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Appendix J: Survey Protocols

What are the greatest disadvantages of an NC site relative to other states?

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How would you rate the NC Commerce website relative to other states' websites

1	2	3	4	5
well below	below	average	above	well above

Which, if any, of the NC regional partnerships have you dealt with on a project in the last few years? \_\_\_\_\_ (First mention) Any others? \_\_\_\_\_

NONE = SKIP

For each instance or experience

How would you rate the regional partnerships' contribution to the process?

1	2	3	4	5
none	poor	fair	good	exceptional

What were the positive aspects of dealing with the partnership?

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What were the negatives of dealing with the partnerships?

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Have you dealt with NC Commerce on a project?

Y                      N

How would you rate the NC Commerce contribution to the process?

1	2	3	4	5
none	poor	fair	good	exceptional

What were the positive aspects of dealing with NC Commerce?

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What were the negatives of dealing with NC Commerce?

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How can NC improve its business recruitment process?

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Following is a list of possible issues. Please indicate if these are issues; and, if they are issues, indicate how important these are as they impact business recruiting.

Issue = Y N Importance = 1 not at all important — 5 critically important

- Leadership of NC public officials; Governor's office, NC Commerce
- Competition and overlap of roles of NC recruiting groups
- Communication and coordination of recruiting efforts
- Staffing and organization of NC Commerce
- Governance and organization of the regional partnerships
- Adequacy of incentives and other tools to compete with other states
- The incentives and measurement of NC economic development agencies



## Questions for Businesses with a Recent Expansion or Relocation Project

We are working on a study requested by North Carolina’s legislature to assess the effectiveness of the North Carolina Department of Commerce and the seven regional economic development partnerships in facilitating investment. Our focus is on issues of structure, process, communications, coordination, and how each organization’s performance is measured. Our report is due March 15. We have held a series of meetings in each region of the state and with the Department of Commerce. We appreciate your assistance and perspective on a few short questions. We will hold this information in strict confidence, not attribute any quotes, and only use the information in the aggregate to improve NC recruiting performance.

Has your firm considered a possible new investment in NC in the last two years?

Y N (Terminate)

Did you have a business presence in NC before your most recent location decision?

Y N (Skip)

(If YES), was this a factor in considering NC as a possible new investment location?

Y N

Did you use site selection consultants to assist in your investment decision? Y N

Did you first suggest NC to your consultant, or did the consultant mention NC to you?

\_\_\_\_\_

When you considered NC for a possible investment, did you think of the whole state or specific regions? WHOLE (Skip)

REGIONS

If you thought of regions, which regions did you consider? \_\_\_\_\_

\_\_\_\_\_

What is the status of your investment decision?

- Committed to invest in NC Where \_\_\_\_\_
  - Investment in NC is complete Where \_\_\_\_\_
  - NC still in consideration
  - Invested elsewhere Where \_\_\_\_\_
- Why (Detail on reason for other location decision)

\_\_\_\_\_

\_\_\_\_\_

- Abandoned project Why \_\_\_\_\_

What was your first point of contact in NC related to a possible investment?

\_\_\_\_\_

\_\_\_\_\_



## Input Form for Kenan-Flagler Study of N.C. Department of Commerce and Regional Commissions

**1. What is your role in economic development in North Carolina?** \_\_\_\_\_

Please fill in a letter from the list below. If you serve in multiple roles, please list your primary or “day job” role first, and then the others. *Please use only your primary role as you consider question 2.*

- A. Client firm
- B. Governor’s Office
- C. Secretary of Commerce
- D. Raleigh-based staff of NCDOC Business and Industry
- E. Regional staff of NCDOC Business and Industry
- F. NCDOC Commerce Finance Center
- G. NCDOC Marketing staff (e.g., Dawson, Smith)
- H. NCDOC Tourism and Film Division
- I. NCDOC Division of Community Assistance
- J. Friends of North Carolina
- K. N.C. Department of Revenue
- L. N.C. Department of Environment and Natural Resources
- M. N.C. Department of Transportation
- N. President of regional economic development commission/partnership
- O. Marketing staff of regional economic development commission/partnership
- P. Other (research, client services, admin) staff of regional economic development commission/partnership
- Q. Board or Commission member of regional economic development commission/partnership
- R. Local economic development staff – for county or chamber
- S. City/county elected official
- T. Local community college
- U. Local travel and tourism authority
- V. Site selection consultant
- W. Other private sector ally (e.g. utility, commercial real estate firm, bank, attorney, developer)
- X. Other – specify \_\_\_\_\_

**2. Where is your primary place of employment?** *Please circle one.*

Raleigh (state)	AdvWest	Charlotte region	Triad
Triangle	Southeast	Eastern	Northeast

3. How well do you rate each of the following? Please circle the response that best fits your opinion.

	Exemplary	More strengths than weaknesses	More weaknesses than strengths	Weak	Not appl.	Don't know
NCDOC system for tracking leads and client handling?	1	2	3	4	5	6
The strength of the North Carolina brand as a business location	1	2	3	4	5	6
NCDOC's website	1	2	3	4	5	6
The strength of the brand of the regions:						
Advantage West	1	2	3	4	5	6
Charlotte region	1	2	3	4	5	6
Piedmont Triad region	1	2	3	4	5	6
Research Triangle region	1	2	3	4	5	6
Southeast region	1	2	3	4	5	6
Eastern region	1	2	3	4	5	6
Northeast region	1	2	3	4	5	6
The consistency of recruitment marketing messages across the state	1	2	3	4	5	6
NCDOC's retention calling program	1	2	3	4	5	6
NCDOC's system for tracking retention and expansion activity	1	2	3	4	5	6
The strength of the brand of NC for companies already here	1	2	3	4	5	6

Question 3., *continued*

	Exemplary	More strengths than weaknesses	More weaknesses than strengths	Weak	Not appl.	Don't know
NCDOC's website, for retention purposes	1	2	3	4	5	6
The regional websites as resources for retention/expansion:						
Advantage West	1	2	3	4	5	6
Charlotte region	1	2	3	4	5	6
Piedmont Triad region	1	2	3	4	5	6
Research Triangle region	1	2	3	4	5	6
Southeast region	1	2	3	4	5	6
Eastern region	1	2	3	4	5	6
Northeast region	1	2	3	4	5	6
The consistency of marketing messages to existing industry across the state	1	2	3	4	5	6
The effectiveness of local resources for existing industry in your area:						
Community colleges	1	2	3	4	5	6
Local chamber of commerce	1	2	3	4	5	6
Local travel & tourism authority	1	2	3	4	5	6
NCSU Industrial Extension Service	1	2	3	4	5	6
SBTDCs	1	2	3	4	5	6
UNC institutions	1	2	3	4	5	6
NC Biotechnology Center	1	2	3	4	5	6
Other _____(specify)	1	2	3	4	5	6

**4. How often do you typically interact with each of the following during an active recruitment project? Please fill in a frequency code next to each type of actor:**

Frequency:

- 0. Never
- 1. Once per month or less
- 2. 2-3 times per month
- 3. Once per week
- 4. 2-3 times per week
- 5. Daily
- 6. Multiple times per day
- NA Category listed is myself

ED Actor	Frequency
Client firm or site selection consultant	
Governor's office	
NCDOC staff based in Raleigh	
NCDOC staff based in regions	
Community college staff	
Other state agency staff	
Regional partnership staff or board	
Local economic development professional	
Member of NC General Assembly	

**5. How often do you typically interact with each of the following when you are working with an existing industry issue? Please fill in a frequency code (same codes as above) next to each type of actor:**

\_\_\_ Please check here if you do not do retention/expansion, and skip this question

ED Actor	Frequency
Client firm	
Governor's office	
NCDOC staff based in Raleigh	
NCDOC staff based in regions	
Community college staff	
Other state agency staff	
Regional partnership staff or board	
Local economic development professional	
Member of NC General Assembly	
Small Business Technology Development Center	
Industrial Extension Service	





APPENDIX K

*Sample Quotes from Focus Groups*

**Contents**

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Department of Commerce — Roles & Structure ..... K-3  
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**Statement Key**

- PB Partnership Board Member
- PS Partnership Staff Member
- DOC Dept. of Commerce Staff (Raleigh or Regional)
- LED Local Economic Developer
- AL Economic Development Ally

## General Roles and Structure

- PS There needs to be two-to-three “buffalo hunters” in Raleigh that are competent heavy hitters for the big deals. All the smaller stuff should be sent out to the regions immediately.
- PB Everyone thinks that the others are “having breakfast” with the others and planning how to leave people out. The fact is that nobody is having breakfast.
- PB You can’t legislate relationships, you need to foster them.
- PB We need to get business, industry and government to the table if we want progress and change.
- PS We are looking towards a partnering model. We have a goal to co-locate with the people involved in economic development.
- DOC We actively look for cross-opportunities. There is a natural fit to see cross polarization across our initial efforts. Tourism, existing industry and recruitment all have elements of overlap.
- LED Right now we have a flat organizational chart. Nobody reports to a single source. If either the partnerships reported to Commerce or vice versa, this would solve a large part of the problem.
- PS NCPED organization is the best structure. The President reports to the Asst. Sec. of Commerce. This was a good model — total collaboration.
- LED Too many people feel like they have to add value. There are too many cooks in the kitchen.
- LED Roles are not defined so at the end of the process it is not clear who does what. The desire to claim involvement is part of the problem.
- DOC Need to operate from client point of view.
- AL We don’t assess prospects needs and desires adequately.
- LED We don’t care where the lead came from just as long as the deal happens
- PB Trade-shows are a problem. We get leads but there is never good follow-up. There is one place where the state is lacking where they put a trade show together. There is no need going if they are not going to follow up.
- DOC Source of leads for this region: #1 local developers, #2 Commerce regional staff, #3 partnership — about 10 percent.
- PS N.C. is very effective compared to the nation. Compared to our potential, we are a C-/D.
- LED Overall the state is not leveraging the resources we have.
- AL We need a fundamental change not tweaking.
- AL We don’t have time to do the wrong thing much longer.
- LED What we have right now does not work.
- LED There are a lot of resources going to a lot of different places.
- DOC NCSU has 100 people in industrial extension — what do they do?
- LED Regularly hear from consultants that they do not know who to call in North Carolina. There are too many actors all doing the same thing.
- PS Everyone has clients and you have got 400 people trying to do economic development but it comes down to who has the reputation to do a good job for the clients.
- DOC There should be only one person for a client to call.
- PS We have the model system for handing-off clients but it requires a huge leap of faith. This is the fatal flaw in the system. The person now with the client, I do not sign his check and he is now responsible for all the investment we have made in this client.
- PS The legislature is in a Site Selection Magazine mentality.
- PS The General Assembly could not care less — they think it just happens.
- AL We have to educate the legislature and sell people — they have to understand the investment not the expense. We are just outspent in marketing and closing money.

## Department of Commerce — Roles & Structure

- PS The Assistant Secretary position is not filled and it needs to be. The Secretary is doing the day-to-day stuff that he should not be.
- PS At the top is a volunteer Secretary who is the chief salesman. Below him is a COO and below him is a Chief Economic Developer. There needs to be a centralized Commerce. The Chief Economic Developer would cover travel, tourism, expansion, retention and large recruitment.
- LED A strong Assistant Secretary of economic development would help matters a lot.
- PB The Secretary needs to be a CEO. But there needs to be a #2 COO who is a real economic developer.
- PB There is no mechanism within Commerce to hear about our problems and take action. Instead our options are to go to out local legislators or possibly the Governor. There needs to be a centralized place to go.
- DOC We need a high profile Assistant Secretary who can help lead and help get funding.
- DOC Structure of the regional Commerce office — we report to different people. We were under one umbrella before. The regional office should all report to one person.
- PB There was a role for a head of the seven partnerships, that tied us all together. That role no longer exists.
- DOC We need the policy support of government and close relationships with cabinet level representation to direct policy with the state.
- LED DOC's role is to interface as point of contact when dealing with DOT, Revenue, DENR, etc.
- PS All the site selection consultants contact is very important. The state doesn't really do consultant calling.
- LED The real answer is just to give Commerce more money and restructure them.
- PB This is the problem with economic development. We have abandoned Commerce. This started in 1993 before we became economically challenged.
- AL The biggest improvement would be to fix the problem of Commerce being totally dependent on government. They are ineffective currently. They need the freedom and leeway to get stuff done.
- DOC The current structure has split up the teams. It causes us to miss opportunities.
- PB Commerce should be funded to handle retention.
- DOC Very effective given resource level.
- DOC Commerce needs more resources to be effective in the field and in Raleigh. [Marketing] needs to have money to fund the N.C. brand.
- AL Commerce — The problem is that they have no money for travel, etc. You can't run a successful organization like this. The irony is that when things are tough is when you really need economic development. DOC's hands are tied.
- LED It is important to have a strong Commerce, sufficient resources to handle marketing and client handling. The existence of the partnership is not problematic if they do not get in the way of this.
- PS Commerce does not need to leave Raleigh. Mike Smith needs to call [Regional Commerce person] directly and let him determine if the region has anything to offer the client. Raleigh people do not need to get in the car. They need to stay put and let the people on the ground report to them.
- DOC There is no need for Raleigh people to come to the regions except for specialists like Jim Nichols.
- PS The way it works now, Raleigh gets a call from a client. The person who gets this call has the one crack at getting this client to N.C. He asks the caller requirement questions. Once he has this information, depending on the needed product, it goes to a particular developer in Commerce. Then this developer decides who to send the client to according to who can meet the requirements.

## Appendix K: Sample Quotes from Focus Groups

- PB Commerce is a figurehead for the state. Not needed as much in project manager role. Commerce should pass projects to regions.
- LED The old paradigm of everything going through Commerce is gone. Now consultants and brokers call us, we used to call them.
- DOC Economic development should be led by a state agency and it should be Commerce.
- DOC Need to not only say that Commerce is lead, but in reality need to provide resources to be able to complete mission. Without necessary tools, hard to be lead agency.
- PS The state needs to be the first line of international marketing.
- DOC We have done little or no marketing since 1993. Lack of effective marketing product. Executive branch lacks control. We Commerce are executive but no control of regions.
- PS Commerce comes up with all the CIS requirements but we actually have to implement the CIS program.
- PS Regions can focus on small companies — DOC's focus and expertise is not on small companies.
- LED In the past, the regional guys did existing industry and Raleigh did recruitment. This is a better role for them.
- PS DOC's total budget is not big but there are a lot of people there. I am not sure what all those people do. There needs to be a smaller group but people who have more immunity and authority to hold the partnership accountable.
- LED We should reduce the size of Raleigh Commerce and use them as a funnel to the regions.
- LED Efforts are currently fragmented. I am not sure where the money goes but there is a great amount of money going to economic development. For example, agencies like the Department of Agriculture do economic development. Resources should be channeled to effective regional partnerships and Commerce, period.
- DOC Appropriate roles for Commerce: Promotion and sales = client handling, strong branding and image-building for the state, and research.
- PS Commerce is the sales force, and also has the liaisons with other state agencies and the community colleges.
- DOC Regional partnerships fill a role in Tier 1 and 2 counties with no local developer. We, regional Commerce, do the job of county developer role in some small counties.
- DOC The client wants to go only to areas that meet their specs. We need to represent the client's interests. Our role is to better present and package other areas.
- LED The rural areas may need to have regional Commerce to help with recruitment.
- PS Communication through centralized Commerce to make the seven calls necessary to find out every available site that meets the client's criteria.
- DOC Our role is to read clients. There are too many chiefs. Everyone wants to lead and direct. Everyone wants glory.
- LED They are segmenting people into industry clusters but these are people that know nothing about the industries they are assigned to. It would be helpful if the people knew the industry.
- AL I am aware of some politics that make it hard for Commerce to do their jobs. There is a protocol for how everything is handled. The fact that some are appointed is part of this. Everything locally that involves Commerce has to be run up the ladder. With the partnership things happen so much faster. They have the flexibility.

### Partnerships — Roles & Structures

- PS The developer needs to involve the seven partnerships because they know best what counties are appropriate.
- LED Leadership and the board make-up are problems. We [Eastern Region] are a government entity unlike the other partnerships.
- PB Originally, being on the board was a full time job. We were needed to determine structure, develop a web site, etc. Now we are more focused on networking.

- PB Our main job as a board member is to be the liaison between small towns and the public. We are ambassadors who provide information to local businesses/industry.
- PS Roles of board members: Helping to educate the citizenry about economic development and strengthening the role of universities in the region.
- PB Delineation of responsibilities is clear here which alleviates tension.
- PS This partnership ignores county lines, coordinates resources
- PB We are working with the biotech and life sciences sectors, where we are getting people together monthly to create business opportunities with each other and create an industry here. This is an example of a role that the partnership can play that nobody else is doing.
- PS There are many small grants the partnership makes to seed various projects.
- PS We are the best source of information in the region.
- PS Research on communities.
- LED There is extreme value in the partnerships marketing, advertising and promotion. Outside of that I have trouble seeing their value.
- LED They [the partnership] do things for us that we can't do ourselves. Like marketing. They are augmenting the state programs.
- LED We also need regional marketing. This could never be done by Raleigh. There needs to be a two-tier marketing strategy.
- LED You need a region. If not here in this form you still need some form of a regional marketing strategy.
- LED Any local money spent on marketing is a waste of time and money. The same money could be spent on product development. Eighty-five percent of our clients are looking for existing buildings.
- PB We need a group like the partnership getting the name out, helping people learn, and creating focus
- LED Maintaining the web site and creating marketing packets are the huge value this partnership brings.
- LED The dollars that come to the partnership were never going to Commerce. Its creation did not take money away from Commerce.
- LED Community college training dollars are a tremendous asset throughout the state. These aren't the dollars that need to be diverted.
- PB If you created a situation where partnership heads reported to Fain this would be a problem because we would lose the flexibility we need. We would be subject to additional rules and restrictions. This would cause a loss of effectiveness and quick turn-around.
- PB Maybe a loose organization of seven partnerships with Fain as the chair. This would allow greater information sharing.
- PS We have trouble telling, with any conviction, companies that are looking at our region that we have what it takes to support their industry here. We need to be able to use example of what has worked or not worked to support our existing industries.
- DOC We have six client-handling relationships. One different relationship with Charlotte because of their SC connections.
- DOC We have seven mini-states in N.C. Geographical loyalty is partnership to regional Commerce.
- LED "None of us economic developers create jobs. Businesses create jobs." Partnership provides critical capacity to small rural counties without full-time developers.
- PB What is the value-added of this partnership? The regional concept. They are the engine that gets the leadership, the businesses, etc. to come together and think together as a region. They create focus. They pull the individual competing communities together.
- PB The partnerships help to put together presentations from the counties.
- PB The partnership bears the expense of gathering and sharing knowledge.

## Appendix K: Sample Quotes from Focus Groups

- PB The research stuff is very important. We are fast and responsive. Rural counties feel more empowered and part of the partnership.
- PB We are filling gaps.
- LED The partnership fills needs that are going unmet. The resources that they give us are invaluable to our job.
- PS Roles of the partnership — product development, as well as strategy and policy development: The CIS program for the region; Master planning for future industrial parks; Regional analysis, Grants for infrastructure, assessments, strategic plans; Advocacy.
- PB Summary of the role of the partnership: legislative function; marketing; research; branding; networking-tying together businesses; filling in the gaps for the rural, resource-poor areas.
- DOC Appropriate roles for the partnership: Community development, product development, tourism, promoting the area, tie to regional brand to the state.
- PS We [partnership] are the stabilizing factor in this region. For example, recently we have been through 17 different local developers. Three counties are vacant and don't have local economic developers.
- PB Our convener aspect is very value-added.
- PS We are also involved with product development, including buildings and sites, incentive programs, etc.
- PS We maintain a site database. We are more involved with actively seeking new sites and listing them on NCsite search.
- LED State Commerce does not have anything to sell. They only have marketing and incentives to offer. We have the buildings.
- LED 90% of our time is spent on product development. People don't want to hear that they have to spend money to make money.
- PB We need to be focused on developing a new product.
- DOC I believe that product development is the best/right role for partnerships. More so than marketing, advertising and promotion.
- PS We do strategic stuff at product development level.
- PS Tourism is very important to the region. We are filling a niche that wasn't being filled before.
- PS Integrating tourism into economic development: "tourism is the only part of our regional economy that is growing right now."
- PS We will do anything that supports economic development in this region.
- PS We provide the necessary clout for our member counties.
- PS Everything we do is to bring voice and visibility to [our region].
- PS Why are we doing film? The state is not doing it at the state film office level. They promote N.C. but are not able to respond to requests so we do it.
- PB The role of our partnership is marketing and support.
- PS What we [partnership] do is marketing and research.
- PB Our [partnership] position is to concentrate on research and marketing
- PS Our [partnership] role is marketing and economic development research to support what work is being done regionally.
- PS There is no research capacity in the counties. They have no ability to respond to RFPs.
- DOC Developers and clients need regional information but not necessarily on regional basis but need data on a radius basis. Client focus is a 50-mile radius rather than regions. We can provide that.
- PS We respond to 130 information requests a month.
- PS We provide very high quality responses to RFPs.
- LED Partnership — data support, but only Monday through Friday. There is no support on the weekends.

- PS We can target projects that don't compromise environmental quality, which is very important and sensitive in this region.
- DOC Project development would be a niche the partnerships could fill.
- PS I see an opportunity for this region do private collaboration with film, tourism, minority business, etc.
- PB We don't do what other people do, we do what is not getting done.
- PS We are the key convener for regional events and try to maximize regional leverage.
- DOC We rarely see help for extreme east/west parts of the state. These areas need the partnerships.
- PS We can't survive here doing the same things each year. We need flexibility to adapt. We need to be able to react to the realities of the market.
- PS If we closed down, the rural areas would have nothing.
- PB Our small county gets representation and is on the map due to the partnership.
- PB There is an element of time. We can make decisions and get the process rolling.
- PB Four of seven partnerships have all the money they need. Three of us are struggling. Not equal but judged equally.
- LED The way it should work is that a profile of a company is e-mailed to the partnerships. The partnerships then contact their regional counties. This would be a more effective way of utilizing the partnership. We do not need to know the client and or consultant and so confidentiality can be maintained.
- DOC Most of the time didn't need partnerships — additional overlay complicating client handling. Does it add value? If partnerships add value — closing funds.
- AL Not every county needs a developer. Having a regional developer would create less duplication. There is not enough product for individual counties. The reality of economic development does not go by county lines.
- PS We are in the product development business. This is a role which developed from what the counties were saying that they needed. They needed a product to market.
- PS We see ourselves as a service organization and are seen that way by our local developers.

### **Measurement and Accountability**

- DOC Measurement tends to pit partnerships vs. Commerce. Energy goes into credit claiming.
- DOC Credit issues are the problem. The bottom line is that the county developers are the only ones who can make a deal. Everyone else is a supporting player.
- AL Zero sum "credit struggle."
- AL "Credit" is the problem. Local developers do not want to get their leads through the partnership because it makes them look like they are dependent on the partnership.
- AL We don't want the credit.
- PS I am not sure how you measure Commerce. In a down economy. I am not sure you can measure them by the number of jobs, etc. There are no clear goals and expectations. What is their marketing plan? Are they following it?
- PS Until the state takes clients to regions appropriate to client's requirements not based on political motivation the system won't work.
- PB People are there [Commerce] too long or not long enough. Turnover is an issue. It is not that they do not get paid enough. Compared to others in the industry they are adequately compensated.
- DOC Commerce employees are secure. You really need to screw-up to be thrown out.
- LED Commerce should be measured on calling on companies outside the state of N.C.
- PS Commerce counts the number of projects located anywhere in the state. They don't get extra credit for taking something as far away as we are.
- LED Commerce needs to be assessed on what calls they are getting, where the calls are going and if calls are being appropriately parceled out to the regions.

*Appendix K: Sample Quotes from Focus Groups*

- LED Commerce guys give special preference to Tier 1 and Tier 2 counties. The economic engines of the state are being pounded.
- LED Successful states are aggressive, accountable, consistent, etc. It should begin with Commerce and end there.
- PB Commerce is taking credit for everything. They don't really locate a project. They should market. Commerce should claim credit for the state as a whole not specific credit for locating a particular project. I view Commerce as competent people. I am surprised they can hold them. They need arrows to put in their quivers. They need training and Certified Economic Developers. They do well with what little they have.
- DOC How do you assess the jobs saved?
- DOC Retention: Need some customer satisfaction measures; We've been encouraged to increase our number of company visits, which focuses us on some of the easier places to get to and serve. Retention needs more attention to fully address companies' issues. There is some competition among the community colleges, SBTDCs, and the Industrial Extension Service, but we work with all of these.
- LED It is doubtful that paying more money to Commerce staff would make any difference.
- LED Commerce does not get the best people because they don't have competitive pay. In FL the staff is measurable and accountable. They have a private sector chairman.
- LED First thing is the need to improve staff morale at Commerce. The staff is no longer healthy and happy. There has been a downturn in morale as they take away their money, their benefits and fail to give them any positive feedback. Staff is demoralized so they are unable to do their jobs effectively. They are under funded. They are good people but they are not doing a good job.
- DOC The State Personnel Act limits flexibility on people. Formulaic not merit based system limits the ability to keep valuable people.
- DOC There is no mechanism for incentives rewards. There is no encouragement for results and innovation. For example, Broadband is a great program but there is no money so there are vacancies. This is not an eight-to-five job. We work hard with too little reward. A lot expected of regional Commerce vs. Raleigh.
- DOC Unless you reward negatively and positively then you are ineffective. It is human nature to become complacent. Year after year of low resources and no pay raises does not cultivate a lot of motivation.
- PS We don't pay people well enough. Other states pay more so they are able to recruit better people — motivated business people.
- LED If you work for the state you are not going to get fired but you don't get held accountable either.
- PS We need to fire dead wood. This is the only way to get some accountability. Evolution and extinction are two laws of nature that don't apply to Commerce.
- PB Incentives/performance bonuses would help things.
- LED We are the only people who are held accountable for when a project lands or does not land. We answer to our commissioners who pay us accordingly.
- LED I submit quarterly and annual reports. They measure activity by month and compare to historical activity levels. We have implemented a reporting system so that we know what each month "should" look like.
- LED There needs to be flexibility in measurement. For example, we used to be more focused on product development because we had nothing to sell.
- LED For example, we now know what that it takes ten clients to get three prospects. This information allows us to help determine what marketing we need and what resources we need.
- PS We should be measured by the local people that fund us with their tax dollars.
- PB We could be measured on the number of web site hits, personal visits, number of new companies that consider the region, number of follow-throughs as a result of some efforts on our part.

- PB We currently have no objective measurements to validate subjective commentary.
- AL We track our program activity. For example, number of mission trips, number of times we help with monetary assistance to counties, number of flex grants, number of Golden LEAF applications, etc.
- PB An increase in per capita income is a measurable goal.
- PS Measure us on what we do. The report we file with the state represents a complete misunderstanding. Some things we could be measured on: number of marketing outreach activities in which we are involved, number of successful media placements, number of leads generated/client visits, etc.
- PS How the partnership should be measured: our region has given out 211 grants since 1996, totaling over \$3 million. This local match helped leverage about \$400 million total.
- PS Our board acts to keep us accountable.
- PS We have a board with three-year plan. We do and deliver what we promise our board.
- PS We are not scalp hangers. We insist that we not be judged by the number of deals closed.
- PB We need to distinguish between the value of deal flow vs. number of deal flow.
- LED Deal closing money is very important. The money can be key to getting the client's attention.
- PS The report mandated by the legislature is a recipe for fragmentation, infighting, distrust, and duplication.
- LED One size doesn't fit all. Each region should be focused on the specific needs of the region. Now, legislature reports are trying to measure all on the same set of measurements.
- DOC Partnerships should be measured against their appropriate role.
- DOC They [partnerships] have no accountability.
- DOC Partnerships report to their own board and the legislature.
- LED How would you measure the value of regionalism? We should look at activity levels of a number of areas — ads placed, marketing trips, face-to-face contacts, and hosted events. We would all have been fired years ago for the returns the partnership gets. One million dollars to get 20 deals? We are benefiting from economies of scale or regionalism. It has heightened awareness and created access.
- PS Measure partnerships on product development, including grants.
- PS We provide the staff support, research for Commerce.
- PB We are gearing our mission towards the reporting requirements. We would like to do tourism but it is not really our mission. We would like to have the bonus credit for this.
- DOC The partnership gets bonus for jobs and investment when they play a minimal role.
- LED What is the value-added of the partnership? As a rural community, our county is doing product development and the partnership helps us determine what we should be doing; Marketing and research — our budget would not allow us to do that ourselves. The relationship building that the partnership does helps us get the face time we would otherwise not get. We are not getting client traffic from the partnership. I think that the taxpayers should decide if there is value in their partnership.
- AL Appropriately evaluating marketing is difficult. How do you count and measure marketing efforts?
- PS Why can't we be graded like the other state funded non-profits?
- PS We are judged on how well we do at what we say we are going to do.
- PS The benefit from marketing efforts is "low and slow."
- PS Research and customized presentations — this support needs to be captured in marketing.
- PB We add value through marketing packages — aerial photos, demographic, info. etc.
- PB People don't understanding that spending money on marketing does not ensure that we will get leads but we can't not market.

## Appendix K: Sample Quotes from Focus Groups

- AL Need marketing measures tailored to sophisticated techniques that respond to particular client needs. Need to pull together a unified way to understand impact.
- PB We are too quick to put numbers on everything. Value-added things are being done here that you can't always tie numbers to.
- PS There need to be penalties for those making no effort to make regionalism work in N.C. They should suffer for it if they directly undermine efforts.
- PS There should be rewards for teamwork.
- PB I think we should measure the amount of cooperation between each partnership and the state.
- PB Before the counties were not working together. Now we are communicating and sending leads to each other.
- PB I have been working in this area since 1966 and I have never seen counties work together and cooperate like they are.
- PS We attempt to avoid duplication.
- AL We have a lot of problems of duplication. We need to work at measures and competitiveness before we can get people to cooperate.
- DOC How do we know if follow-up occurred and what the outcome of follow-up efforts are? We need to be able to track this.
- DOC We need a direct line for feedback for all projects that come through and those that don't.
- LED We need to look at what it takes to get a client here. Then we need to count the efforts necessary to get this to happen.
- DOC There are no measurements of how many we win and how many we lose, etc. We should be looking at VA and SC. What located there and of these who didn't even call N.C.
- PB We need a central report for all inquiries to the state.

### Relationships Among Partnerships and Commerce

- PS Commerce views us [partnerships] as a zero sum game. They see us as money that they would otherwise get.
- PS Commerce has resentment because the partnerships get more money.
- LED Now Commerce views partnerships as competitors for money — need a clear sense of how all the pieces fit together.
- PS Commerce still thinks that regionalism is a reaction to poor performance by Commerce. They see the partnerships as being shoved down their throat.
- DOC Why do we fund regional agencies to travel abroad while not enough resources for lead agency, Commerce, to fulfill its role?
- DOC Partnerships can go right to their Legislative representatives to get things done. Golden LEAF is an example of access of funding by the regions.
- PS Commerce was asked to notify us if they are coming to the region. So we get e-mails the day of the visit and with no information. "Coming to your region today with a client."
- PS The general problem is that regional Commerce is not sharing the information they have. An easy solution would be to have a monthly debriefing.
- PB Structural/process issues at the state level — the project was going on for a year before we got it. By the time we got it there was no time. There is a lack of communication between agencies.
- PS A problem is how we stay in the loop on what is happening. We don't have direct access to CAPS system.
- PS There is a tremendous need in our marketing roles to know what our existing industry is saying/thinking. We currently do not get this information. We are out of the loop.
- LED We are fortunate because the communication between the local developers in this region is very good. We have an open exchange of information.

- PS We need to know what is going on in the buildings so that we can in-turn generate leads (who are their suppliers, etc.).
- LED We need candor and effective communication because there is too little time and resources — we also need to trust people.
- PB There needs to be a more open relationship between Commerce and the partnership.
- DOC Communication and cooperation between the partnerships and Commerce — in theory and on paper all agreed on, in reality not happening.
- DOC One example where the partnerships and Commerce overlap: the partnership databases and the CAP system. Too many duplicate systems.
- DOC There is a true duplication of services. We put everything into the partnership's database because we want to grow our region. But then Commerce told us to not put in any project below X dollars. They did not want it to clutter their system.
- DOC We are lacking coordination. For example, integrated database as an example vs. seven separate databases. Inefficient research is one area of duplication.
- PS There are leadership and personnel development issues. There is tension in the Commerce office. There is even tension between Raleigh and the regional guys.
- PS Regional Commerce is looked down on by Raleigh.
- DOC Reporting to Gene Byrd from all the regions confuses things more than they need to be.
- DOC We need better collaboration — branding, N.C. umbrella, dotted line to Secretary of Commerce (no formal link currently) would imply communication.
- PS There is a feeling that Commerce developers would rather lose the prospect than ask for help.
- PS Commerce is supposed to do client handling. Raleigh Commerce acts as more of a guard than a host.
- PB We have a good relationship with Raleigh Commerce. It works because we don't want to be the big player. We are here to help Commerce and local economic developers.
- DOC Regional/Raleigh Commerce? There used to be a close relationship. Informal and social settings. It is a struggle now to maintain a relationship of Raleigh staff and us in the regions. Not nearly as good as needs to be.
- PS The regions are in this together. We do not compete for projects.
- PS We give lots of leads, from our outreach marketing, to the other partnerships. For example, I went to a trade show in Buffalo, NY where I found a client who wanted to be near Charlotte so I turned the lead over to the Charlotte partnership.
- LED Even though there is a competition, we are happy to share if we can't meet the client's needs in our own county.
- PB Lead sharing is commonplace. A company will either come to your county or they won't, we at least need to keep them in the region.
- DOC Everyone is so independent — it is hard to get eight to coordinate and agree. No one, no agency is in charge. Independent, autonomous groups. Only cooperation when there is mutual interest.
- DOC A sentiment shared with us by clients is that as they are handed off from one region to another they feel the tension. Companies do not want to be in the middle. They would rather go to another state than get in the middle.
- PS If there was trust then why not just hand off the client. Raleigh developers do not.
- PS The way the Raleigh developers act is like they do not trust their local people.
- LED There is a lack of trust at Commerce for local developers. It's very bureaucratic.

## Vision, Leadership and Strategy

- AL People need to know what they have to work with. You can't function when you never know if you will have funding tomorrow.
- LED Commerce is reactive. It is all they are funded to do. There is a fundamental lack of leadership. It goes all the way up to the Governor.
- PB There is turnover in leadership at Commerce. There is no continuity, or consistency. The leadership may need to be more professional than political.
- LED Commerce people can't afford/don't have time to come to events/announcements - what does this say to existing industry? Except, they can afford to recent trips to Europe and Japan. No consistency in what the state leaders are doing, where the planes are going.
- PS We need a strong central Commerce that provides statewide consistency and allow the partnerships to have the flexibility.
- PS What we need more than anything else is a strong Commerce that acts like the 10,000 pound gorilla.
- PB The legislature needs to place value in Commerce.
- LED There have been lots of studies but nothing is implemented. There is a lack of strong leadership from the top.
- LED We are not getting the job done at the Governor's level. Leadership has a key impact. We need active involvement.
- PS Continuity of leadership is a problem.
- PB A big issue is a policy issue. We act like we don't want to be in the game. The incentives we do have try and get people to go to the rural communities because the legislature is from the rural counties.
- PB There is a leadership vacuum.
- AL We are in no position to do meaningful long-term planning initiatives. The continuity of leadership is not there.
- LED We need creative leadership around marketing rural technology.
- LED Leadership follows the money. Commerce does not have any money so it has no power to lead. Commerce has a smaller marketing budget than some individual counties. Because they are funding the individual partnerships, the legislature thinks that they do not have to fund Commerce.
- AL We don't have unity in N.C. S.C. knows they have passed us. N.C. has a lack of focus and a lack of state level leadership.
- PB There needs to be more of a consensus of what we are and what we do. The partnership has tried to do this but they can't get Commerce to engage in this. Commerce should be the economic development flagship but it is hard to bring consensus together.
- PS Global forces creating a restructuring on a global scale. We are losing on a national policy and on global issues.
- LED We are not making/managing the transition to the new economic areas. We are not doing well with dealing with global issues.
- LED There is no consistent branding statewide. There is no N.C. brand.
- LED Need to parade our \$3.1B education bond issue. We need to get out front.
- PB We need a new marketing plan that gets us in step with the new economic times.
- LED The partnership is helping at the strategy level.
- PS Image as a state very high but losing luster; We are in a changing environment; Industrial recruitment is no longer the most effective strategy.
- LED We have to make a decision about what deals to do and what to give up. For example, there is a food processing company in Minn. States are knocking on their door all the time. They have never heard from N.C.
- LED First you want to keep the prospect from going to SC, GA, or VA. This is our job as a state. People lose sight of this. We need to focus on staying at the table, as a state.

- AL I am concerned/worried about the lack of clear strategy and organization to run economic development for N.C. We are not on the same level with other states in terms of Commerce resources.
- AL We need to not compare to what everyone else is doing. We need to take a fresh look with the client's needs in mind.
- PB Alignment of strategy is absent. Parties are not aligned in a vision and strategy of economic development.
- AL We need strong centralized planning capabilities and processes.
- AL We need a centralized planning function and then we will be able to make it work at implementation.
- LED We need a strategy in place where everyone's role is clear.
- LED Ideally, each individual group would have a plan/strategy and would be working together to implement the plans. This needs to come before anything else.
- LED The leadership we do have is moving us to a service-based economy and telling us to leave manufacturing behind. This is not the reality. Although this strategy might make sense for Charlotte, in rural counties service jobs pay significantly less and therefore this strategy just helps create a working poor.
- PB The advice of the Economic Development Board has not been taken. The recommendations have been massaged to the point where it is no longer aggressive/effective.
- DOC The partnership is able to focus projects and attention instead of having everyone competing. They get people to recognize that we have to pick and choose our battles for a common cause.
- AL The partnership has brought the region together in ways that we never would have before. It is not just economic development. They brought leadership, motivation and energy to the region.
- AL Commerce does not have end-game focus. There is a zero sum mentality.
- LED If I had three wishes to change economic development in North Carolina... A new attitude that we are going to kick-ass from the Governor down. We need to think more like a business/corporation. We need the best people who will produce, are self-motivated, educated on the product, etc. And, everyone needs a clear and distinct mission.
- PB We are not branding because we don't have a vision. This region has a vision
- AL We are hurting from the lack of focus. We are not collectively spending too little but there is a lack of aggregate impact.
- LED I don't know if the state has a vision and a strategy.
- PB This state is large and diverse — are we focused as a state?
- PB There needs to be a strategy. For example, RTP happened, what is next? Unlike the NCPED the Economic Advisory Board has no real control over any component of economic development. They are purely advisory. NCPED is better positioned to create strategy for N.C. It consists of people that are dealing with it day to day. The EDB is not an operationally skilled board rather they are politically appointed. A professionally staffed board is better. If you wanted to use it, it would need to have some legislatively mandated power so it can have some clout. The NCPED knows what is going on — making the body effective at addressing issues. Right now it has no power. It is a toothless job. We need legislative changes to create power so we can actually do something.

### **Privatization**

- LED Privatization — the change would force everyone at Commerce to compete for jobs at the new organization.
- PS We need to privatize economic development in N.C. This would eliminate political agendas. There is currently way too much overlap. We need to stop funding someone, anyone.
- PS It is very desirable to privatize Commerce. It would give flexibility. Commerce is very bureaucratic and what it needs is more flexibility to get the job done. Flexibility is the issue.

## Appendix K: Sample Quotes from Focus Groups

- LED Privatization would allow us to start from scratch. It allowed FL to do this. It created a new organization.
- LED Privatization may help in some ways. It would mean a lot less bureaucracy. However, the issue is funding not public vs. private. If you do it privately you would have to have the region provide funding. Then Commerce would be competing for the same money.
- PB Privatizing Commerce — this could help to get better personnel.
- PB An argument against privatization would be that staying in state government provides access. Politics is two-thirds of what you see happen.
- DOC There are some advantages to my affiliation with Commerce. For example, the One N.C. Funds. I have relationships with people making me able to do state programs. You need connections in this business.
- PB We could pay more for the right person. Would help to get out from under government bureaucracy.
- DOC Privatization — we will lose something if we are not integrated with government offices.
- DOC We need to stay public but with the flexibility to source private money.
- DOC Privatization without added resources, hell no.
- DOC We should pay Hunt \$400K and have him privatize N.C.
- AL The state needs to have a financial involvement in Commerce but the department needs to operate as an independent entity. Needs to be run more effectively and needs to be able to raise private money.
- AL There might be a real advantage to privatizing part of Commerce.
- AL If you are non-governmental you can hire the talent necessary and there is no risk of political appointees. It would also reduce the high turnover. Economic development is too critical to have a revolving door.
- DOC A state endorsement of policy is very important. It is very important to have a credible gold seal on our cards; particularly out of state.

### Private Funds

- PB Commerce should not try to bring in private funds. They hit up everyone that can write a check.
- PS Friends of N.C. is legalized extortion. There was a promise made that this would not happen.
- PS Having the partnerships provide Commerce with private funds is not a good idea. Some regions do not raise private funds. This creates too much complexity and would create discrepancies between regions. Commerce has always raised money privately before Friends existed.
- PS The private sector is putting up the money for incentives. If it is a good project the private sector will get behind it.
- PS NCPED is a 501C3 that is already in place — why not use it?

### Retention & Expansion — Roles & Structure

- PS Commerce should be responsible for all existing industry retention and expansion.
- PS Retention needs to be locally driven.
- PS It is absurd to think that one guy can do existing industry recruitment and retention in a region.
- PS Retention is a key issue. Commerce needs more money to do it.
- PS Retention is Commerce's job.
- DOC [Retention & expansion] is a stepchild but our bread and butter; 75–80 percent of our growth is from existing firms.
- DOC Expansion and retention are not generally a partnership role.

- LED It can be significant to have NCS-IES sitting at the table when we are trying to recruit. A successful IES program can help existing industry adapt to changing industry. The value of this group is recognized and significant.
- PS If I could do one thing to enhance the effectiveness I would put existing industry people under the regions and hold them accountable.
- PB We need to take into account the economy while we focus on retention. We cannot have the attitude that “we are not doing as bad as the people next door.”
- DOC There are probably not enough existing Commerce people necessary to cover all the industries. The state needs to do more for existing industries. We need to clear up bureaucracy and processes in order to ensure greatest efficiency. We need to be first responders.
- PS We need to know what is going on in the buildings so that we can in-turn generate leads (who are their suppliers, etc.).
- LED Retention and expansion are our future and our greatest strength. We need to “grow our own.” However, there is nothing that Commerce can give to existing industry (no money). The only money is in the flex grants administered by the partnership.
- LED The State’s largest existing industry is the army. Why is it not being called on?
- LED If we don’t have a good relationship with our existing companies we can’t get new companies because we can’t get any references.
- LED We need to think beyond our historical rewards and help support our existing industry.
- LED The three R’s — Recruit, Retain, Get Ready. We spend 80 percent of our time on the get ready part and 15 percent of our time on the retain part.
- PB Raleigh is actually penalizing current business. Existing companies are looking to adjacent states. Raleigh forgets that they can leave just as fast as they came.
- PB My biggest concern is existing jobs. We bent over backwards for Nucor which provided 300 jobs and then Springfield, which employs over 3,000 people does not get nearly enough. We cannot forget the companies who have been loyal to us. If we lost Springfield it would take us 30 years to recover.
- DOC Commerce uses a yearly comparison of the number of jobs created while the community college systems uses a three-year average. Therefore, many companies who have laid off over the last couple years and are now trying to ramp up still are not able to meet the eligibility for money and community college training.
- DOC We have companies here that can’t utilize the Lee Act credits. We could allow them to sell the credits or make them refundable.
- DOC The disadvantage is you have a company that had lost jobs and is now putting in the new lines or revitalizing but they don’t qualify for incentives. They don’t qualify for community college credits, etc.



## APPENDIX L

# *Findings from the Client Survey*

**W**e believed it was important to gain input and opinions from the end clients or customers of Commerce and the partnerships. Therefore, we undertook a phone survey of businesses, some of whom invested in North Carolina and others who did not. We also surveyed site selection consultants who are key influences in the process of making business investment decisions.

### **Methodology**

Names of potential survey respondents, both businesses and site selection consultants, were obtained from suggestions made by Commerce, the partnerships, and from local developers. Multiple contact attempts were made to reach each potential respondent. Phone was the primary contact method, but email and fax were used where appropriate.

Separate questionnaires were used for businesses and for site selection consultants appropriate to their role as clients in the business investment process. Copies of the survey instruments are included in Appendix J.

While the sample sizes are small — 16 business interviews and 9 consultant interviews for a total of 25 interviews — the results are consistent. The findings should be viewed as directional due to the small number of interviews, but nonetheless they are unambiguous.

### **Key Findings — Overall Client Responses**

- Overall, both businesses and site selection clients are satisfied with North Carolina's economic development efforts. North Carolina is rated above average in competitiveness versus other states. Further, North Carolina competitiveness is viewed as having improved over the last five years.
- Incentives are identified as a competitive weakness versus other states. This opinion is widely held. However, this should be judged in context. North Carolina continues to be viewed as a moderate cost of doing business location. While some clients focus on incentives, most recognize that the total cost of doing business is the "bottom line."

- The quality and skills of the N.C. labor force are viewed as our greatest competitive advantage. Availability of quality workers is a key criterion in location decisions and N.C. is viewed positively in this respect.
- The quality of N.C. universities and research facilities is a significant asset. These are viewed as providing a continuing supply of quality labor and also contributing to a positive quality of life perception.
- North Carolina K–12 education quality is viewed as a weakness. The impact of this weakness is manifested as difficulty of recruiting personnel to come to N.C., but also, as handicapping the continuing supply of high-quality labor.
- Clients have a sophisticated view of the state. Most clients have specific perceptions of desirable regions and focus on regions for their location decisions. It is clear that client needs are the specific drivers of locations that will be considered and the “fit” of client needs to location advantages is key for them.
- North Carolina is viewed as under-marketed. Both businesses and site selection consultants believe N.C. should raise its level of marketing effort with quantitatively more messages about the advantages the state and specific regions offer. We are not perceived as doing an adequate job of communicating with both target groups.
- Both the partnerships and Commerce are viewed positively as responsive and eager to help. Any friction or conflict among agencies is not perceived as interfering with successful recruitment efforts, or at least any concerns about these were not shared with us. We recognize that these informants may not want to say anything to jeopardize their good working relationship with the practitioners here.

### **Key Findings — Businesses**

- Businesses are satisfied with the performance and contribution of both the partnerships and Commerce. Both organizations are perceived to perform above expectations. The performance of other public officials is perceived as positive, but not as strong as the main economic development agencies.
- Businesses are concerned about the inadequacy of incentives particularly compared to other states. However, incentives alone do not appear to be decisive as a deal breaker or maker if other more important criteria are satisfied.
- The quality and skills of the N.C. labor force are a major advantage for N.C. versus other states. This is complemented and supported by an image of a high quality of life.
- The quality and support of the higher education institutions is perceived as a major advantage for N.C. This is a result of their contribution to the quality of life and their role in supplying a continuing stream of well-qualified labor. The foregoing roles are important in addition to the universities’ direct contribution to business success.
- N.C. is under-marketed in the opinion of business. More marketing communication could raise the visibility and quality image for N.C.

- Businesses believe it would be helpful for N.C. to have a cadre of business sector champions to serve as peer mentors/endorsers to potential prospects. This is in addition to a crucial role for public officials in enthusiastically supporting economic development.
- Businesses have some concerns about keeping the N.C. infrastructure up to date. Specifically, there is concern over the availability and cost of airline connections and adequacy of capacity in the road system.
- Businesses perceive that K–12 education quality is very uneven and, where deficient, can be a significant drag on the ability to attract and retain key personnel.

### **Key Findings — Site Selection Consultants**

- Site selection consultants were used by about half of the business respondents. This confirms the fact that site selection consultants are a key influence on the business location investment and thus an important target group for N.C. economic development marketing efforts.
- Site selection consultants rate N.C. as above average in competitiveness versus other states. Further, they believe N.C. has become more competitive versus other states in the last five years. Our poor position on incentives is the one clear downside.
- Both Commerce and the partnerships are rated favorably as contributing to the business investment decision process. Both were viewed as responsive, understanding, and willing to aid the process.
- Site selection consultants see N.C.'s competitive advantages as: quality and skills of the labor force, a low to moderate overall cost of doing business, a high quality of life, and having location and logistical advantages.
- Weaknesses are perceived to include uneven quality of K–12 education, a sub-par position on incentives, and concern about quality of the transportation infrastructure, particularly cost and availability of airline connections.
- Site selection consultants believe N.C. is under-marketed. More marketing communications to themselves and their clients could raise N.C. visibility and work to create a favorable image.
- N.C. is discussed as a possible business location with about 30 percent of clients. Half the time the consultants bring up N.C. first, while clients bring up N.C. the other half of the time. When N.C. is discussed, we make the short list for consideration about half the time.
- Site selection consultants believe that public officials, including the Governor's office, can play a very important role in securing business commitment to N.C. Higher visibility and support from public officials at all levels would be very beneficial.



## APPENDIX M

# *Structure of Economic Development Delivery in North Carolina & Other States*

To put the structure of North Carolina's Department of Commerce into a national perspective, we built upon the comparative work of KPMG in 2002 to describe the structure of several other states. We selected Virginia and South Carolina because they are always of interest, and we selected Florida and Michigan to highlight contrasts with systems that are partially privatized.

After the table comparing state structures, we provide further background on the state-level public-private partnerships in Virginia, Florida, and Michigan.

**Table M.1: Structure of Economic Development Delivery in N.C. and Other States**

	<b>North Carolina</b>	<b>South Carolina</b>	<b>Virginia</b>	<b>Florida</b>	<b>Michigan</b>
Lead Agency for Recruitment	N.C. Dept of Commerce	S.C. Dept of Commerce	Virginia Economic Development Partnership	Enterprise Florida	Michigan Economic Development Corporation
Type	State agency	State agency	Quasi-public	Public-private partnership	Quasi-public
Other ED agencies			Dept of Business Assistance; Secretary of Commerce and Trade	Same as above. Dept of Commerce phased out in 1996.	Newly created Department of Labor, Economic Development and Urban Growth (2003)
Year Founded			1995	1996	1999
Reports to:	Secretary of Commerce	Secretary of Commerce	Board of Directors	Board of Directors	Executive Committee, Board of Directors
Size of Board	N/A	N/A	15	N/A	20 on Exec Committee; 88 Overall
Composition of Board	N/A	N/A	Two government officials, 13 industry	Chaired by Governor; 70% members from industry	Executive Committee is industry; university, nonprofits; Board includes all local ED organizations as well
Board appointed by	N/A	N/A	Governor	Governor	Governor
% State Funding	100%	100%	100%	Largely state >50%	Majority locally-based economic development organizations
Employees					
FY02 Budget					
Targeted Sectors	N/A	N/A	N/A	IT, biomedical, aviation/aerospace, defense, modeling, simulation, training and plastics	IT, advanced mfg, life sciences
Web site	www.investnc.com	www.teamssc.com	www.yesvirginia.com	www.eflorida.com	www.medic.michigan.com
Regional Public/Private Partnerships in State	7	5	15	7	None
Any Funding by state?	Yes	No	No, except Southwest Promise and Eastern Shore	No	Funding for regional economic development authorities ceased in 1990s due to budget deficit

Table continues next page

Table M.1: Structure of Economic Development Delivery in N.C. and Other States, continued

	North Carolina	South Carolina	Virginia	Florida	Michigan
Governance	Not-for-profits with Boards defined by legislation and membership (Charlotte)	Alliances formed by local economic developers	Several are not-for-profits with Boards of members from private sector and localities. Several are public authorities established by legislature with a Board	Primarily not-for-profits with Boards and members at local level	N/A
Role	Promote regions, marketing, work with Commerce	Three are ED organizations for region doing lead generation, project development, research and marketing. Work with state and local developers on projects. Two do centralized marketing functions but do not actively work on projects	Serve localities	Serve their membership	N/A
Partnerships	<p>Advantage West; Charlotte Partnership; Triad</p> <p>Piedmont Partnership; Research Triangle Regional Partnership; Southeast Regional Partnership; Eastern Regional Partnership; Northeast Regional Partnership</p>	<p>Central Carolina Economic Development Alliance; Charleston Regional Development Alliance; Economic Development Partnership; Upstate Alliance; Pee Dee Economic Development Alliance</p>	<p>Fredericksburg Regional Alliance; Greater Richmond Partnership; Hampton Roads Economic Development Alliance; Lake Country Marketing Council; New River Economic Development Alliance; Northern Virginia Economic Development Coalition; Roanoke Valley Economic Development Partnership; Shenandoah Valley Partnership; Thomas Jefferson Partnership; Southwest Promise; Gateway Region; Eastern Shore; Peninsula Alliance for Economic Development; Region 2000</p>	<p>Florida's Great Northwest; Florida's Heartland RED; Economic Development Commission of Mid-Florida; Opportunity Florida; Tampa Bay Partnership; North Central Florida's Regional Planning Council; Cornerstone</p>	

## **Public-Private Partnerships in Other States**

At least three states have developed public-private partnerships or hybrid organizations to manage some or all of their economic development activities. These are Virginia, Florida, and Michigan.

### *Virginia Economic Development Partnership*

In 1995, Virginia moved its business recruitment efforts out of the Secretariat of Commerce and Trade and into a quasi-public organization called the Virginia Economic Development Partnership (VEDP). While VEDP receives 100 percent of its funding from the General Assembly, it is a not-for-profit organization that reports to a Board of Directors appointed by the Governor. This form of organization was chosen specifically to allow VEDP to be exempt from state procurement and personnel regulations to allow flexibility in hiring and compensation.

Note that many traditional economic development activities remain in the Department of Business Assistance under the Secretary of Commerce and Trade including small business assistance, incubator development, existing industry, and export assistance. The Department of Tourism also reports to the Secretary.

### *Enterprise Florida*

Enterprise Florida was formed in 1996 when the Florida legislature completely phased out the Department of Commerce and replaced it with a public-private partnership. Enterprise Florida reports to a Board of Directors that is chaired by the Governor. Seventy percent of the board members come from industry.

When it was formed, Enterprise Florida was supposed to move from being completely state funded to only 50 percent state funded within five years. The organization has not been able to meet this goal.

KPMG reports that Enterprise Florida has been excessively scrutinized throughout its history, being audited several times a year.

Unlike Virginia, Enterprise Florida is specifically focusing on eight sectors: information technology, biomedical, aviation/aerospace, defense, modeling, simulation, training, and plastics.

### *Michigan Economic Development Corporation*

Michigan Economic Development Corporation (MEDC) is a quasi-public organization formed in 1999. It reports to an Executive Committee appointed by the Governor and a large, 88-member, Board of Directors that includes all of the local economic development organizations in the state. These same local economic development organizations also provide a majority of the organization's funding.

The newly elected Governor of Michigan has just created a Department of Labor, Economic Development and Urban Growth (January, 2003), but the role of this organization vis-à-vis MEDC is not clear.

Like Florida, Michigan has stated its intentions to focus on only three sectors — information technology, advanced manufacturing, and life sciences.

## APPENDIX N

# *Perceptions of Service Quality: Commerce and Partnerships*

**E**conomic development is a service business and a relationship business. To understand how well something is working, and zero in on appropriate changes, it is helpful to conduct customer satisfaction surveys periodically. In considering current perceptions of North Carolina's service quality, we gained two sets of insights — from clients and from practitioners.

### **Perceptions of Service Quality at Commerce**

The businesses and site selection consultants were generally pleased and appreciative of all the service they received from the North Carolina Department of Commerce, whether the business ultimately chose this state or not. The findings from this analysis are summarized in Appendix L. We are attentive to the possible bias in their reports, if they do not want to say anything critical that might jeopardize their working relationships with the state. Our incentive policies and lack of visible high-level leadership were cited as more of a problem than structural or process issues. After these interviews, we were also left with the impression that *North Carolina is still held in very high esteem as a business location*, and that perhaps our internal squabbles have not become a major competitive disadvantage — yet.

However, the practitioners' view is considerably more negative. In general, the N.C. Department of *Commerce*<sup>1</sup> *is not seen by the regional and local economic developers as effective and aggressive as it should be for the economic development of the state*. The reasons for this perception include:

- B&I's insufficient budget;
- the fact that B&I staff is poorly compensated, morale is low, and project staff do not have the credentials they need to be cutting-edge;
- typical frustrations with the slowness of state bureaucracy;
- the fact that Commerce does have enough manpower at the top, lacking an Assistant Secretary for Economic Development (or Chief Operating Officer)

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1. Business and Industry (B&I) and related divisions.

to assist Commerce project managers and their local partners with day-to-day problem-solving and project execution; and

- the Department's counterproductive attitude of seeing the partnerships, and sometimes even their own regional staff, as competitors rather than allies.

Our estimation is that fixing any of these factors will markedly improve Commerce's public relations standing with its critics. Some coordination efforts within state government, such as the liaison with the Department of Revenue, are in place.

When perceptions are so strong, they sometimes overwhelm reality as a driver of policy and management. Commerce leadership is very conscious of the need to base economic development policy on the economic realities of our competitive environment. Its recent hire of a new executive director in Policy and Research is an attempt to strengthen the objectivity and data foundation of the Department's policymaking and allocation of scarce resources.

While the overall levels of service are disappointing to many practitioners, they were quick to point out that certain developers within Commerce's economic development divisions are doing a tremendous job on a shoestring budget. The variable quality of service from different project managers was pointed out repeatedly, leading to suggestions that the best performers be rewarded with some type of merit pay, and the ones who are not meeting targets be let go.

### **Perceptions of Service Quality from the Partnerships**

The client survey, as reported above, noted that the partnerships were seen as responsive, understanding, and willing to aid the process, as was Commerce. We were not able to validate the claims by many here that having both the state and the regional partnerships "confuses the clients," though again, there may be some positive bias in these interviews. Also, the clients are accustomed to the regional partnership organizations in our neighboring states (see Appendix M), though those do not cover the entire state.

As for the service quality perceived by economic development practitioners and allies, *the "added value" of the partnerships varies tremendously by region*. There are local professionals in the rural counties of this state who are not sure if their partnership has generated many qualified leads, much less specific jobs and investment, and yet they still see economies of scale in marketing as a region rather than as a single county and value in the professionalism of client information packages the partnership produces. In some cases there is no local developer and the partnership acts as a complete proxy. Business people in these communities, who constitute many of the board members and allies of the partnerships, see value in having a regional platform for action, and they feel a sense of unity, greater visibility, and perhaps most importantly, *hope*, because of the partnerships. From that standpoint, the partnerships in North Carolina have achieved their original legislative intent, to counter the sense in the extreme east and west of being left out of the entire economic development game that seemed to be happening primarily within a two-hour drive of Raleigh.

The urban partnerships are valued for different reasons. They are not credited with much lead generation, which some believe is driven entirely by the economy and others believe is because partnership staff is not effective. But board members and allies see value, for example in how the Research Triangle Partnership is coalescing business and education leaders to develop a vision and strategies for improving the region's competitiveness. In the Charlotte region, the metric of appreciation is for putting the area on the international map. In the Triad, the partnership's office is one of the few places in the region where people from Greensboro and Winston-Salem interact collaboratively on a routine basis. The label "urban" for any region should be used cautiously, because all of North Carolina's regions contain rural counties, some of whose local developers see a clear piggybacking advantage to their association with the urban brand that the partnership provides.

Generally, in the rural regions, the funds for infrastructure, site development or deal closing are highly valued by member counties. This is what *they* mean by product development. Constituents in some regions value the partnerships' leadership in developing more forward-looking regional strategy, or their involvement in developing products and initiatives that integrate industry recruitment with entrepreneurship, film, tourism, or existing industry cluster development. Product and strategy development does and must vary with the needs of the region as interpreted by its active private and other leadership.

For the most part, *the value added that other actors in the system see from the partnerships is on various types of product development, research and proposal preparation, websites, and other ways of establishing regional collaboration and branding.* There is a strong feeling in the field that the partnerships spend a lot of money on "the fun stuff" like trade shows and call missions and don't have many qualified leads to show for their activity. As many of the quotes in Appendix K suggest, *many local developers want either to see more qualified lead generation or for the partnerships to get out of the promotion business.*

