

# **Northeast Indiana Economic Development Plan**

*Investing in our Future  
White Paper*

**March 2003**

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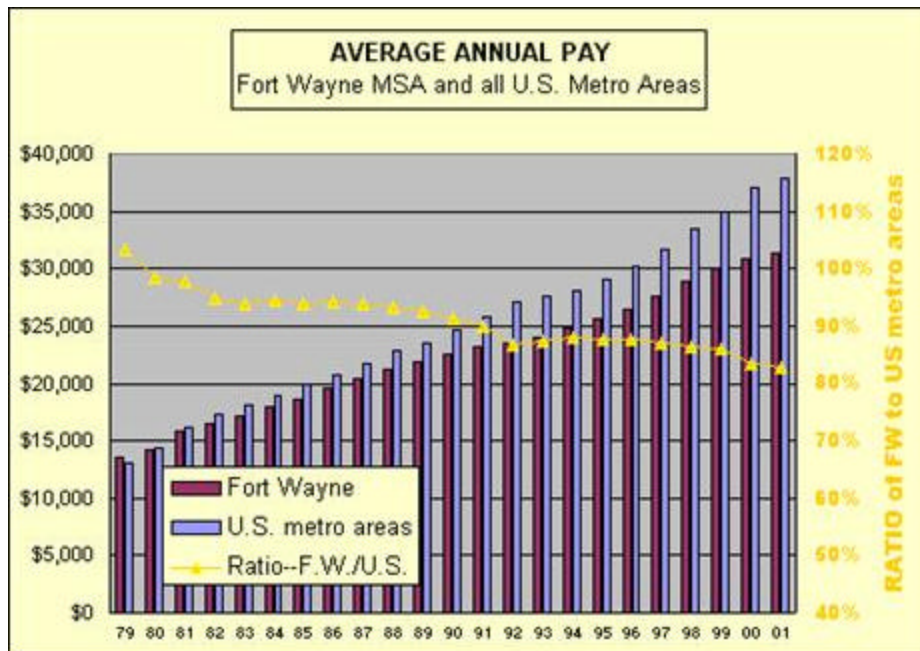
## **The Business Case A Case Statement for Investing in Our Future**

The economy in Northeast Indiana continues a steady decline that began more than 20 years ago. An economic transformation across the nation from a production to a knowledge-based economy has severely impacted the manufacturing-dependent Northeast Indiana region. The inability of business, political, and economic development sectors to institute fundamental changes in the region's economic development approach and make-up is threatening the future viability of the area.

The Northeast Indiana Corporate Council is taking a leadership role in facilitating discussions with all economic development organizations in the region. The Corporate Council's goal and objective is to provide funding, leadership, and a strategic approach to economic development so the economy of Northeast Indiana is vibrant and positioned for future growth. The current economic development organizations are making strides, but given the multitude of challenges, the corporate community must come to the table. Unless a significant investment is made today, the entire economic future of Northeast Indiana is in jeopardy.

A current snapshot of the economic landscape in Northeast Indiana paints a bleak picture:

- ***Northeast Indiana has been losing jobs at a rate greater than the state and the nation.*** Between May of 2000 and June of 2002, Indiana lost over 4.1 percent of its jobs, and Northeast Indiana lost 6.5 percent—this, while national job loss was only 0.9 percent.
- ***Bankruptcy filings in northern Indiana, including Fort Wayne, soared faster last year than almost anywhere in the nation.***
- ***The relative value of Northeast Indiana wages earned per worker has been steadily falling for a number of years.*** When the Fort Wayne Metropolitan Statistical Area is compared with other U.S. urban areas in average annual pay, data indicates a significant twenty-year decline. In 1979 Northeast Indiana workers earned 103% of the national average, but by 2000 the number had fallen to 83%—a decline that has caused more Northeast Indiana residents to join the workforce simply to maintain household income. The employment to population ratio in the region is about nine percentage points higher than the national average.



- Indiana fails to retain many of its best and brightest and is near the bottom of all states in retention of college graduates.** Although Indiana produces almost 20% more college graduates per capita than the national average, more than a third leave the state, placing Indiana near the bottom of all states in the retention of college graduates.
- Population growth in Northeast Indiana lags behind the country as a whole.** We grew at a rate of 3.9 percent during the 1980s compared with the national average of 9.8 percent. During the 1990s the growth rate was higher at 11.9 percent--but that was still below the national average of 13.2 percent.
- The tax base necessary to support public education and local government services is eroding.** Over the past ten years, the assessed value of property in Allen County has fallen from 10 percent above the state average to only 1.5 percent above the average for all Indiana counties. Total adjusted gross income for Allen County declined by \$302 million between 1999 and 2000, a one year decline of 4.4 percent.

While the statistics paint a bleak picture, it is perhaps even more troubling to realize that the problem has been studied for over a decade with no proposed solutions. In 1990 the Hudson Institute was commissioned to study Fort Wayne in detail and made the following observation:

*“Lack of a common vision that its leaders could share and that large numbers of citizens could support is, in Hudson Institute’s judgment, the greatest obstacle that Fort Wayne must overcome if it is ever to be able to take control of its own destiny. Not only has the community lacked a common understanding of the issues facing it, and a willingness to compromise and cooperate in their solution, it has also lacked a means to establish community-wide goals and priorities and then marshal its resources to meet them. Indeed, it has even lacked a mechanism for deciding these most fundamental questions.”*

Concern over the long-term condition of the regional economy was more recently brought home to many by John Chamberlin’s report to the Northeast Indiana Workforce Investment Board:

*“The region is in the midst of a generation-long shift in work opportunities and the job market. The implications of the shift are not yet fully understood by area job seekers who express anger and frustration at the loss of production jobs paying \$15 per hour (plus health, retirement, vacation, and sick leave benefits) and the unavailability of jobs at anything approaching that wage at their current skill and educational levels.”*

Clearly, even traditional economic development strategies are not enough to stem the tide. A new way, new thinking, and new solutions are needed if Northeast Indiana hopes to retain its residents and attract new ones. If another 13 years slip away with no meaningful change in the economic make-up of the region --- the region may not survive. The positive news is that for the first time since the early 1980s we recognize that we are in a very serious fight to regain our economic position as a region able to create wealth at a level necessary to sustain a "quality of community" that attracts and retains citizens and investment.

## The Solution

The Northeast Indiana's Corporate Council's solution to the massive economic development challenges is to establish and fund the Northeast Indiana Investment Board. This Investment Board would administer a \$20 million economic development superfund. More important, the Investment Board would work in tandem with current economic development entities to establish a focused, disciplined, and collaborative approach to economic development. The Corporate Council suggests that the Investment Board's economic development vision for Northeast Indiana involves not only building on its rich history as a center for innovation, but as a world-class model for achieving community prosperity through creation of an environment that fosters business productivity.

## The Vision

The Council envisions that by 2020, the region will boast a set of well-recognized, globally competitive business clusters. The skills of the region's workforce will be well-matched with a knowledge-based economy, and its economic development programs will be world-class—aggressive, focused and in synch with the demands of business. And quality of life in the region will attract and support highly productive and innovative people and companies.

The vision for the future economy of Northeast Indiana must be a target that the community fully understands, supports, and is willing to sacrifice time, talent and money to achieve. The commitment to making the vision a reality is what differentiates truly successful communities from those that fail to reach their potential.

Success in achieving this vision can be gained by realizing three economic development imperatives:

- **Quality jobs create community prosperity.** The average wages and salaries of Northeast Indiana workers should exceed the national average by 2015.
- **Job opportunities and quality-of-life are the primary factors for success in retaining and attracting productive people.** Northeast Indiana companies should create jobs at a rate necessary to support population growth and employment rates above state and national averages.
- **Workforce skills are the critical component of production in a knowledge-based economy.** The percentage of Northeast Indiana residents with a college degree should equal or exceed the national average by 2015; the retention rate of Northeast Indiana students obtaining a college degree should equal or exceed the national average by 2015; and the percentage of Northeast Indiana residents with post-high-school technical training should equal or exceed the national average.

To begin making the vision a reality, the Council proposes focusing resources on existing and emerging clusters of business activity. Such clusters—geographic concentrations of interconnected companies and institutions in a particular field—might

include governmental organizations, universities, standards-setting agencies, think tanks, vocational training providers and trade associations. Each would provide important resources to the others.

Harvard professor of Business Administration Michael E. Porter is a leading proponent of the cluster approach to economic development. His article "Clusters and the New Economy of Competition," which appeared in the Harvard Business Review in 1998, is considered a classic in current economic development theory. Following are excerpts:

*"Today's economic map of the world is dominated by what I call clusters: critical masses – in one place – of unusual competitive success in particular fields. Clusters are a striking feature of virtually every national, regional, state and even metropolitan economy, especially in more economically advanced nations. Silicon Valley and Hollywood may be the world's best-known clusters. Clusters are not unique, however, they are highly typical – and herein lies a paradox: the enduring competitive advantages in a global economy lie increasingly in local things – knowledge, relationships, motivation – that distant rivals cannot match."*

*"The way clusters operate suggests a new agenda of collective action in the private sector. Investing in public goods is normally seen as a function of government, yet cluster thinking clearly demonstrates how companies benefit from local assets and institutions."*

*"Clusters represent a new way of thinking about location, challenging much of the conventional wisdom about how companies should be configured, how institutions such as universities can contribute to competitive success, and how governments can promote economic development and prosperity."*

*"Clusters affect competition in three broad ways: first, by increasing the productivity of companies based in the area; second, by driving the direction and pace of innovation, which underpins future productivity growth; and third, by stimulating the formation of new businesses, which expands and strengthens the cluster itself. A cluster allows each member to benefit as if it had greater scale or as if it has joined with others formally – without requiring it to sacrifice its flexibility."*

Three separate proposals relevant to economic development in Indiana have focused on the idea of clusters, with each proposal identifying similar industry sectors that show promise.

The first, called *Energize Indiana*, was put forth by Governor O'Bannon and Lt. Governor Kernan and proposed focusing state resources on four industry sectors:

Advanced Manufacturing, which would include automotive and electronics, aviation technology, robotics and engineering design technology; Life Sciences, which might include orthopedics and medical devices, biomedical research and development, pharmaceutical manufacturing, agribusiness, nanotechnology and molecular manufacturing; Information Technology, which might include informatics, certified network administration, software development and fiber optics; and 21<sup>st</sup> Century Logistics, which might include high-tech distribution, efficient and effective flow of goods, services and information, and intermodal ports.

The second plan, adopted by the Fort Wayne -Allen County Economic Development Alliance board of directors, similarly focuses on aviation, automotive, communications/technology/defense, life sciences, plastics and rubber, steel and wire, and transportation/distribution/air freight.

The third plan, prepared by the Northeast Indiana Innovation Center, focuses on biomedical/biotechnology, information technology/telecommunications and advanced manufacturing.

Considering information in each plan, the Council recommends focusing on three leadership clusters:

- Advanced Manufacturing
- Life Sciences
- Aviation / Intermodal Logistics.

## Advanced Manufacturing

The first cluster, advanced manufacturing, represents fertile ground for growing jobs and investment—largely because Northeast Indiana has a longstanding and strong core competency in this area. Despite a steady loss of automotive-related manufacturing jobs, 24 percent of all jobs in Northeast Indiana today are in manufacturing as compared with 13 percent nationally. A National Commission on Entrepreneurship study identified the region as one of the top areas for high-growth companies, based on its strength in the manufacturing sector. And while the creation of *new* businesses will be encouraged, it is critical to preserve *current* manufacturing business by updating the companies and the supporting infrastructure.

*"In the manufacturing field, northeast Indiana has a particularly strong core competency in processed materials, especially primary and fabricated metal and plastic and rubber products, that is connected to the automotive industry as the end user. The challenge the region faces in becoming a high tech economic engine is related to being innovative in its core industries, and this can be achieved by supporting new businesses in the field of advanced manufacturing." –from the NIIC 2002-2005 Strategic Plan*

*"This advanced manufacturing know-how can be applied to the two driver industries to increase the value-added to the end users of the metal and plastics products, and to help the maturing industry cluster maintain its competitive edge and remain profitable for the economy and the region. The focus on manufacturing is further strengthened by the findings of a recent study by the National Commission on Entrepreneurship (NCOE). The study identified northeast Indiana and the Fort Wayne area as one of the top areas for high-growth companies, based on its strength in the manufacturing sector. The study determined Fort Wayne's Growth Company Index (GCI) to be 177 on a 200-point scale in which 100 represents the average score." –from the NIIC 2002-2005 Strategic Plan*

In fact, we have little choice but to support a transformation to advanced manufacturing. With such a high percentage of the region's population concentrated in this sector and the long lead time required to grow other industry clusters – failure to support our manufacturing base would have disastrous results.

*"Considering Indiana's dependence on manufacturing and the role it plays in supporting the rest of the economy, the consequences of continued job emigration would be devastating. The creation of new businesses should be encouraged, but no reasonable forecast can imagine replacing the existing industrial base in less than 30 years. Thus, it is critical to preserve all that we can of the manufacturing business that we now have by updating both the manufacturing enterprises and the supporting*

*infrastructure." -from the Purdue University/Central Indiana Corporate Partnership proposal to create an Advanced Manufacturing Institute*

However, the manufacturing sector we have known is not the manufacturing sector of tomorrow. Industry is changing rapidly and must always be seeking productivity improvements, continuously shifting toward higher-end processes and products. To be successful in this cluster, the public sector and the academic community in Northeast Indiana must take aggressive steps to support the movement of all manufacturers in the region to greater productivity and innovation ... and our businesses must embrace the shift to advanced manufacturing.

*"I am convinced that success today will require business, government, and education to work together as they have never done before. Opportunity in this case is like a three-legged stool. Unless all three legs are in place, opportunity will collapse. Partnerships between education, business, and government in Indiana are on the upswing. But we need more." (Martin Jischke from a speech delivered at the 2002 Advanced Manufacturing Summit)*

Consequently, the Council recommends that within the advanced manufacturing cluster, Northeast Indiana should focus on the following subsectors: transportation equipment, rubber and plastics, wire, electrical equipment, metal fabrication, machinery and primary metals.

To support advanced manufacturing, we must improve our linkages to similar Purdue University initiatives, such as the Technical Assistance Program, and to the School of Engineering; become actively involved in Purdue's Advanced Manufacturing Institute proposal to ensure such a facility is available to Northeast Indiana businesses; and develop programs and methods for bringing federal, state, university and private-sector resources to smaller Northeast Indiana manufacturers, who may not make use of such programs without easy access.

*"There exists a gap between using the results of basic research conducted at universities and manufacturing a saleable product. The concept for an AMI that accomplishes applied research and development is motivated by the perception that such an institute would link the needs of manufacturing enterprises to the learning and discovery assets of universities." –from the "Advanced Manufacturing Institute proposal"*

In addition to the action steps above, we must encourage local governments to provide incentives to manufacturing firms seeking productivity gains by investing in advanced manufacturing technologies—even when such investments reduce employment levels. And finally, we must take advantage of the engineering expertise already present in Northeast Indiana.

Fort Wayne and Northeast Indiana have a core competency in applied engineering. Industry clusters, such as communication systems, automotive and the wire die, have created a strong concentration of engineering talent in this community. We should support the firms already engaged in engineering activities and view key individuals employed in these firms as an important asset.

And the latter may be the most important. Some of our engineering firms will grow, and some will decline for reasons beyond Northeast Indiana's control. In situations where firms reduce engineering employment – such as the relocation of the Dana Technology Center, we must take steps to retain engineering talent in the community. We can do this by enhancing the relationships between our regional higher education institutions with engineering schools (such as Indiana Institute of Technology, Tri State, and IPFW) and those firms within the region that depend on a constant flow of new engineering talent. We can also build linkages between our regional economic development organizations and organizations representing regional engineering employees. And we can recruit businesses which are complementary to engineering businesses already located in Northeast Indiana to enhance the cluster of human capital and corporate presence.

## Life Sciences

The second cluster that deserves focus in Northeast Indiana is Life Sciences. This cluster, concentrated largely in biosciences, is a key targeted industry for 40 states, making it important to recognize that a specific strategy is vital to our region. In a report for the Central Indiana Life Sciences Initiative, the Battelle Memorial Institute recognized the intense competition for this cluster:

*"The biosciences are clearly viewed across the nation as a key targeted industry for development. A recent report issued by BIO identified that 40 states are actively focusing on bioscience development. Moreover, nearly every community with a major academic medical center – and even many without – is targeting bioscience development as part of its economic development efforts. ... It is important to recognize that no two regions are exactly alike, and their success will be found in pursuing specific strategies that fit their regional context." (Life Sciences: A 21<sup>st</sup> Century Economic Driver for Central Indiana, p. 24)*

Based on discussions with Central Indiana community leaders, Northeast Indiana's efforts to raise the level of its life sciences core competencies to leadership positions face particular challenges:

*Creating stronger industry/university/government partnerships that bring the region together to address life sciences development*

*Ensuring continued focused investments in key areas of life sciences research in order to place Central Indiana among the national leaders*

*Generating a climate more supportive of entrepreneurship and new business start-ups that leverages the life sciences research base and industry anchors found in the region*

*Ensuring venture capital is available at all stages--from pre-seed to later rounds of investment--to support the growth of life sciences companies*

*Addressing the lack of specialized facilities and technology parks to create more of a sense of critical mass and identity for the life sciences cluster*

*Educating, retaining, and attracting a skilled life sciences work force across the range of skills needed*

*Raising the recognition of Central Indiana's position and commitment to developing its life sciences cluster  
(Life Sciences: A 21<sup>st</sup> Century Economic Driver for Central Indiana, p. 23)*

Another factor to consider is that the neighboring state of Michigan has invested heavily in the creation of a Life Sciences Corridor.

*"The state of Michigan has committed \$1 billion over 20 years from its tobacco settlement money to energize the life sciences industry. New life sciences companies are being formed as a result of this initiative, most of which are clustering around Michigan's major research universities and the Van Andel Research Institute in Grand Rapids." (a January 21, 2003 Michigan Economic Development Corporation's news release entitled "Michigan Life Sciences Corridor Generates New Growth")*

Life sciences that have potential in Northeast Indiana include orthopedics, health informatics and agri-business.

To support these life science activities, we must create a biomedical research center on the Innovation Center/IPFW campus in northeast Fort Wayne. According to the Northeast Indiana Innovation Center, the lead agency for this focus area, such a facility would house:

*A Center for Biomedical Orthopedic Product Development, specializing in discovery of biomedical implant products, biomedical work force development and the needs of orthopedic manufacturing in the region*

*A Center for Health Informatics, specializing in training and retraining health professionals, establishing internships and visiting scholars programs, and assisting local software companies in designing solutions to accelerate health informatics and patient care delivery systems*

*A Commercialization Center, focusing on accelerating product development and minimizing the exposure created by speculative research and development*

In addition to this facility, we must also concentrate on building alliances with orthopedic manufacturers (particularly those in the Warsaw community), the Indiana School of Medicine and the Central Indiana Life Sciences Initiative, as well as pursuing the Nutri-Core Center for Excellence Project (agri-business component) to a point of decision and supporting existing food processing firms as a potential subcluster in nutraceuticals. For example, as the Central Indiana Life Sciences report notes:

*"Together with advanced manufacturing and information technologies, the life sciences cluster forms one of the Central Indiana region's economic pillars focused on harnessing the technological advances leading business growth in the 21<sup>st</sup> century." (Life Sciences: A 21st Century Economic Driver for Central Indiana, p. 1)*

*"Among its major recent investments in supporting life sciences research and commercialization for Central Indiana, the Lilly Endowment has*

*funded \$105 million for the Indiana Genomics Institute, \$28 million for Purdue's Discovery Park emphasizing nanotechnology, \$20 million for Pervasive Computing Labs at Indiana University and \$20 million to Rose Hulman Ventures." (Life Sciences: A 21st Century Economic Driver for Central Indiana, pp. 14-15)*

## Aviation and Intermodal Logistics

The third core cluster appropriate for focus in Northeast Indiana is Aviation and Intermodal Logistics. Over the last 20 years, Fort Wayne has invested over \$7 million in upgrading the airport and industrially-zoned acreage surrounding it. A 12,000-foot runway is an asset, as is the airport's access to I-69 via the new Airport Expressway. The Air Trade Center, Foreign Trade Zone #182, and the Airport Development Zone make the area a significant economic development asset.

Three key opportunities arise as a result of this investment: aircraft maintenance, intermodal cargo transfer, and 21<sup>st</sup> century logistics.

The 2001 evaluation of Allen County industrial sites and parks noted:

*"The Air Trade Center represents a unique "product" not easily duplicated in many communities. We have a good start with the Airport Authority's ownership of 400-plus acres, the I-3(P) zoning, the construction of the first taxiway, the extension of public utilities, the improvements already made to Coverdale Road, the improving financial condition of Kitty Hawk, the FTZ designation, and the Airport Development Zone designation. Yet much remains to be done to take full advantage of these prior actions."*

The benefit of such an Air Trade Center will extend to the entire Northeast Indiana region.

To build on the airport area investment, we must:

- Attract additional regional jet maintenance facilities and an aircraft maintenance training facility, building on the success of Shuttle America and Pinnacle and teaming with the Anthis Career Center and IVY Tech College.
- Attract cargo facilities, particularly an international container distribution facility
- Develop a strategy to maximize Foreign Trade Zone opportunities.
- Evaluate the feasibility of constructing appropriate facilities at the Air Trade Center such as a 100,000 square foot speculative facility.
- Market the area around the Fort Wayne International Airport as a location for 21<sup>st</sup> century logistic firms.
- Support implementation of the recently approved Fort Wayne International Airport Master Plan.
- Seek completion of the "Fort To Port" highway project from Fort Wayne to Toledo and provide support for the Midwest Regional Rail Initiative which seeks to create a high speed rail corridor between Chicago and Cleveland (through Fort Wayne).

*"It is obvious from both the empirical evidence relative to Northeast Indiana and the economic development literature that transportation, especially highways, is absolutely essential to successful economic development – especially to a manufacturing-based economy. ... The proposed upgrading and rerouting of U.S. 24, especially between Fort Wayne and Toledo, would enhance the value of*

*the I-469 bypass by creating a more efficient, safer east-west route from/to/through Fort Wayne. An improved U.S. 24 also would give Northeast Indiana more efficient, safer access to the Toledo port facilities. If a multiplicative effect results when an area has both N-S and E-W access to efficient-safe transportation facilities (as is suggested in the case of Steuben County), then improving U.S. 24 is particularly important. It is recommended that the completion of U.S. 24 improvements be accomplished ASAP." –from "Performance of the Northeast Indiana Economy"*

## **The Process: Investing in Our Future**

The Corporate Council's intent in recommending the creating of the Northeast Indiana Investment Board is to fundamentally change the economic development approach in the region. The Corporate Council is not interested in conducting economic development efforts but believes that the Investment Board should be positioned to provide guidance and funding. The recommended process must increase synergies and create a sense of urgency.

The following are recommended guidelines for the process:

- Create economic development group(s) that work collaboratively for the benefit of the region.
- Develop a plan and mindset that instills urgency in all parties to focus and align efforts so that the region is viewed as working together for business.
- Provide corporate assistance via funding, lobbying, and supporting the region so that barriers to growth are eliminated.
- Fund the established economic development entities such as the Fort Wayne - Allen County Economic Development Alliance, the Northeast Indiana Innovation Center and Indiana Northeast Development so each can focus on economic development efforts.

### The Funding Process

The Economic Development Investment Board will oversee an initial \$20 million investment superfund designed to breathe life back into the area's economy. The fund is comprised of corporate, professional, foundation and public funds and will be distributed only to those economic development approaches that are focused, disciplined, aligned, and measurable. The Economic Development Investment Board should be prepared to fund initiatives that will help achieve strategic economic development goals outlined below:

- Attract and retain new high-quality jobs to the Northeast Indiana region that fall into one of the previously defined three clusters. This will help stop employment erosion and improve the compensation structure in the region.
- Create a Business and Education Collaborative designed to enhance and improve the skill set of residents within the Northeast Indiana region, and throughout the process create a community where continuous learning is an achievable value.

- Change the region's mindset about economic development so that every person has a keen understanding and insight into what makes an area vibrant and self-sustaining.
- Enhance the region so that it is a desirable place to live, work, and play. *Invent Tomorrow*, *Arts United*, and *Downtown Improvement District* are all valuable aspects to attracting business to the region. These organizations should join together in pursuit of a single well-defined agenda to provide for this environment. The Corporate Council will encourage independent corporate support to these organizations as they pursue this agenda. The Economic Development Investment Board should consider providing grant support for specific projects to this group in support of these objectives.

## Meeting our Goals

Meeting these goals will take an integrated communications effort, expertise in interpreting data important to economic development organizations and detailed assessments of what it takes to effectively support and build the three clusters. Long-term results will take years, but to increase our successes in the short term, we must take advantage of every opportunity in our current economic base.

*First, we must constantly analyze our core economic development organizations, such as the Fort Wayne Allen County Economic Development Alliance and Indiana Northeast Development and increase funding appropriately to encourage more proactive proposals and projects. As part of this effort, we must re-examine how the community allocates local economic development tax revenues.*

*Second, we must maintain an aggressive sales and marketing effort covering every county within the Northeast Indiana region.*

*Third, we must continue to improve incentives for expansion and attraction projects. This would include broadening the use of the EDGE program for smaller projects and retention efforts and the allocation of additional local public-sector resources (CEDIT and tax increment revenues) into the "Investment Incentive Pool". We should continue to create flexible vehicles for matching incentives to project opportunities rather than trying to match projects to programs (the creation of the local EDGE program in Allen County for the Dana Technology Center and B.F. Goodrich projects). We also should consider more traditional incentives such as tax abatement and financing available through the Fort Wayne Community Development Corporation. And we need to support flexible tools provided at the state level – such as the current legislative proposal by the Ports of Indiana to use their bonding authority for economic development projects outside of their three port facilities.*

*Fourth, we must take maximum advantage of recent modifications in Indiana's tax structure. Changes in HB 1001(ss) improve the business climate, particularly for the manufacturing and product distribution sectors. However, our reputation as a state with a non-competitive tax structure will not disappear overnight. We must aggressively market the legislative changes to site selection consultants and others making development decisions. We must make sure that companies already doing business in Indiana are aware of how these changes will affect their tax burden.*

*Fifth, we must upgrade and sustain the supply of quality business and industrial sites throughout the region and develop a technology-focused business park in the Fort Wayne urban area.*

*Sixth, we must assist Northeast Indiana business in trading the products and services internationally.*

*Seventh, we must create community-wide buy-in for the economic development vision. A reallocation of resources is necessary and will not occur without sacrifice and resistance. There is, however, no substitute for devoting quality resources – time, talent and funding – on carefully selected, well-defined, focused efforts.*

*Eighth, we must influence reallocation of community foundation funding toward economic development activities. The Central Indiana Corporate Partnership's ability to influence change comes from a strong financial position. That position is largely due to the capitalization of the CICP Foundation by the Lilly Endowment.*

*Ninth, we must build strong ties to the efforts of Central Indiana to restructure the Indiana economy. Many of those efforts are spearheaded by the Central Indiana Corporate Partnership, and we must strengthen the Northeast Indiana Corporate Council as a peer organization. That can best be accomplished by engaging a full-time staff to concentrate time and talent on building this link as well as assisting in the creation of the Northeast Indiana Economic Development Investment Board.*

*Tenth, we must liaise closely with the Indiana Department of Commerce and political leadership to influence statewide economic development initiatives. We must be aware of the changing roles of the Indiana Economic Development Council and Department of Commerce and how Northeast Indiana can participate on the board of directors. And we must take better advantage of our local private-sector leadership in the Indiana Chamber of Commerce and the Indiana Manufacturers Association to build linkages between regional economic development agencies and efforts and the new regional office of the Indiana Department of Commerce.*

*And finally, we must improve the business climate in Northeast Indiana by seeking regulatory and tax changes supportive to business. We must ensure that the Northeast Indiana Chamber Coalition, working with the Greater Fort Wayne Chamber of Commerce, provides a strong voice in legislative issues. We must support efforts to provide a more unified land use planning approach in Allen County, recognizing the breakthrough importance of the proposed joint City-County Comprehensive Plan. And we must ensure that economic development issues are given an important role in the land use policies within this planning process.*

## The Importance of Entrepreneurship

Another area critical to job creation is entrepreneurship. The start-up companies of today will create the jobs of the future. While it will take years for today's entrepreneurs to create numbers of new jobs--and far more entrepreneurs will fail than will succeed--statistics and experience show that local business start-ups and small business development will, in the long-run, create significant numbers of high-quality jobs for our community.

*"Innovation and change mean uncertainty and disruption. But it is becoming increasingly clear that dynamism is critical to growth. (You can't have upward mobility if no one is on the move). The more churning in a metro in terms of new business start-ups and existing business failures, the faster the metro's rate of economic growth. In fact, of all of the indicators in this report, churn is the most strongly correlated with employment and income growth. This means that metropolitan areas need to promote change and innovation, not retard it." -from The New Metropolitan Economy*

*"...states' economic success will increasingly be determined by how effectively they can spur home-grown technological innovation and entrepreneurship. ... In the New Economy, tomorrow's jobs will come from fast-growing entrepreneurial firms and not from the small number of business locations. As a result, states need to shift their focus from 'hunting and gathering' (industrial recruitment) to 'gardening' (promoting growth from within)."*

*—from the 2002 State New Economy Index*

*"When properly supported, a high level of entrepreneurial activity can alter the economic trajectory of entire regions. This is particularly true if the entrepreneurial activity is focused on the commercialization and application of technology-based innovations to traditional and nontraditional industries." —from the NIIC 2002-2005 Strategic Plan*

*"There is a deep need for entrepreneurial assistance at every level throughout Northeast Indiana. The existing organizations that provide assistance tend to lack sufficient resources to cover a nine or ten county region."*

*—from An Evaluation of Entrepreneurial Needs in Northeast Indiana*

To seed a climate friendly to entrepreneurship, several steps are necessary.

First, we must broaden community-based efforts to promote entrepreneurial activity. Northeast Indiana Innovation Center/ Center for Entrepreneurial Excellence are aligned to focus on the core clusters (including information technology), while the Small Business Development Corporation, the Total Quality Management network, the

Women's Enterprise program and the Fort Wayne Community Development Corporation will provide services to a broader range of entrepreneurs and small businesses in the region. To make maximum use of the limited resources available through these organizations, it is absolutely necessary that their activities be coordinated. A memorandum of understanding among these agencies should be executed.

*"Until recently, it was widely believed that larger organizations were inherently more productive, had a wider reach globally, and generated more rapid employment gains. This belief, often labeled Fordism, permeated government agencies and business circles, and colored their thinking about what was possible, and desirable, in industrial structure and economic growth. ... Recent empirical evidence has motivated a re-examination of this assumption. The share of employment in enterprises under 100 workers, which had been shrinking steadily in the U.S. and other economies for most of this century, has been growing steadily over the past two decades. This reversal is not concentrated in the small scale retail sector ("Mom and Pop stores") but is quite widespread, encompassing manufacturing as well as the service sector, and high tech areas as well as traditional sectors. These recent studies also indicate that small businesses have been more stable and better able to weather downturns in the business cycles than the large organizations. Still, regional performances, which vary greatly both within a country and across countries in today's world, do not seem directly related to the size structure or sectoral composition of output in the region."*

*-from Blueprint for a Dynamic Small Business Community prepared for the Indiana Chamber of Commerce in 1998 by DRI/McGraw-Hill*

Second, we must secure the required long-term operational support for the Northeast Indiana Innovation Center (NIIC) and align its function with the regional economic vision. Many believed that NIIC would be financially self-sufficient within a short period of time, but experience here and elsewhere indicates that self-sufficiency takes much longer – if ever. Thus ongoing support must be in place as part of the community's long-term economic development strategy. NIIC clients of today are Alliance clients of tomorrow. The two organizations must be on parallel paths today and converging paths in the future.

*"Putting northeast Indiana in position to benefit from the fast-growing technology sector makes sense, and the state, city, IPFW, Greater Fort Wayne Chamber of Commerce and individuals involved in the Innovation Center project are to be commended for their foresight in this vital area of economic development." –from an October 14, 2000 editorial in the Fort Wayne Journal Gazette*

Third, we must shift community philosophy away from protecting existing wealth to a willingness to invest in entrepreneurial ventures that offer great return on investment for investors and the community.

*"The rise of the new economy has radically altered the ways that cities and regions establish and maintain their competitive advantage. In the new economy, regions develop advantage based on their ability to quickly mobilize the best people, resources, and capabilities required to turn innovations into new business ideas and commercial products. The nexus of competitive advantage has thus shifted to those regions that can generate, retain, and attract the best talent." -from "Competing in the Age of Talent"*

*"The process of establishing a high-tech economy is complex and multifaceted. Its evolution is totally dynamic and in many aspects self-guiding. Developing a regional culture that is amenable to change and growth and building a society that is open to new ideas are probably the best strategies and principles government can have to both attract and expand high-tech industry." –from "America's High-Tech Economy"*

*"The wealthier the economy, the more it will require innovation to support rising wages and to replace jobs eliminated by improvements in efficiency and the migration of standard production to low-cost areas." –from "Clusters and the New Economics of Competition"*

Fourth, we must improve Northeast Indiana entrepreneurs' access to venture capital. We should support the region's new SBIC fund, The Founders' Fund. There is general recognition that more could be done to make sure connections are made between potential investors (both venture capital funds and individual investors) and those seeking funding. We must determine which organization should take the lead in this effort – the Greater Fort Wayne Chamber of Commerce, NIIC, private-sector individuals or a new regional venture fund. And we must determine the best vehicle to connect Northeast Indiana to the "Indiana's Future Fund" being created in Indianapolis.

*"Research has demonstrated that successful economic development is largely homegrown – that is, successful initiatives are focused on the growth and development of local businesses. A community can attract businesses from other places, but a long-term, successful strategy must foster growth and development locally. If Indiana is to succeed in achieving economic progress equal to or faster than the national average, it is imperative to foster the growth and development of both the local companies involved in leading-sector activity and the local venture capitalists that invest in them." -from the Indiana Venture Capital Study, prepared for the Indiana Chamber of Commerce by Arthur Anderson, LLP in August, 2000*

*"In relative terms, venture capital (funds invested in new and unproven businesses) amounts to a small share of the overall capital markets, but its value goes beyond a simple dollar figure. Venture capital spurs growth at the critical early stages of growing companies' development. Moreover, venture capitalists don't just throw their money at start-up companies hoping to get lucky and pick a winner. They become involved as board members and management advisors, suggesting strategic partnerships and helping to refine business plans. And venture-based companies are a key source of job growth – employment in venture-backed companies increased 34 percent annually between 1991 and 1995, while employment in Fortune 500 companies declined 3.6 percent. In the nation as a whole, venture capital has increased from an average of \$6 billion in the early 1980s to \$30 billion in 1999 (in constant 1992 dollars), and from 0.10 percent of GDP to .37 percent. In 1999, it was disbursed to some 4,000 companies, eight times as many as in 1980."*

*-from The New Metropolitan Economy, p. 34*

*"Our research has indicated that venture capital is important to the economic progress of our state. Innovation has been shown to be responsible for at least half of long-term economic growth in the United States, and venture-capital-backed companies are among the most innovative and rapidly growing companies in our national economy." -from the Indiana Venture Capital Study*

*"The data paints a disturbing picture for the State of Indiana. Indiana is not just lagging behind its peers; there is a significant gap between the state and its neighbors' levels of venture capital activity." -from the Indiana Venture Capital Study*

*"Venture capital is a contact sport, and the unique value that venture capitalists provide to entrepreneurial companies makes it preferable for their portfolio companies to be located in relatively close proximity to at least one of the venture capitalists. The availability of local sources of venture capital allows for the "care and feeding" of locally based entrepreneurs, while also providing access to the local investor's network of contacts around the country." -from the Indiana Venture Capital Study*

And fifth, we must secure funding to construct the NIIC Biomedical Research Center/core incubator facility.

## The Importance of Workforce Development

Yet another imperative for ensuring the success of economic development activities is continuous work force development. Enhancing the skills of the Northeast Indiana work force increases productivity in all businesses.

*"An abundant supply of high-quality workers is arguably the most competitive factor for any state or region in the new economy, especially for developing and sustaining high-tech and high value-added industries. In a knowledge-based economy, the educational attainment and technology savvy of the workforce are strong contributors to the economic success and overall economic prosperity of a region." –Next Michigan: Our Competitiveness Agenda*

The responsibility for workforce development must be shared among workers, businesses, educators/trainers and the public sector. We must be strategic in applying our resources to ensure that we are not just improving skills in general, but rather that we are closing the gaps identified between the skill sets currently in place and those most needed by today's and tomorrow's employers. A workforce development strategy must include the following strategies:

First, we must align work force development programs and resources with economic development strategies, particularly as they support cluster activities. Example: creation of an aircraft maintenance school.

Second, we must substantially fund and use the WorkKeys skills assessment system to measure labor force capabilities and employer work force needs—then develop training programs to close the identified gaps between employee skills and employer needs.

The Greater Fort Wayne Chamber of Commerce Workforce Development Council has taken the lead in this initiative in Allen County through the Skills Now program.

*"Without the requisite data to describe the current skill level of today's workforce, it is impossible to bridge the gaps between what we believe the skill requirements of tomorrow's workforce will be. To effectively document, describe, and deploy resources aimed at elevating the existing skill level of all potential workers, a strategic analysis of skill is required. ... Our (the Greater Fort Wayne Chamber of Commerce Workforce Development Council) Skills Now project is the tool that when fully implemented will result in a maximization of the employed workforce. ... after a careful review of the available instruments, we chose ACT's WorkKeys product as our profiling and assessment tool." -from Mark Keen's address at the Fort Wayne Chamber Workforce Development Council's 2003 annual meeting*

Third, we must create a business/higher education partnership, supported by a formal organization with an executive director who implements activities on a full-time basis.

*"In the knowledge-based new economy, the generation of innovative ideas and intellectual capital is the key driver of economic growth and competitiveness. The premium placed on idea generation, flexibility and quick adoption of new technology is not unique to the high-tech sector, but has become critical for success in virtually every industry. For this reason, companies increasingly rely on an educated, skilled workforce. Firms need workers that can easily understand new concepts, apply those concepts, and integrate them with other ideas. States and regions build this type of workforce by having educational and training institutions that have high standards and meet the demand for new worker skills in flexible ways. –from Next Michigan: Our Competitiveness Action Agenda*

Fourth, we must use WorkOne Centers as focal points for a wide range of job training and establish the centers' reputation as more than an unemployment office.

Fifth, we must explore innovative approaches that increase the accessibility of training, particularly for those seeking to upgrade skills and for those who face barriers to more traditional education. Methods such as "distance learning," use of the internet and other customer-oriented approaches may provide valuable alternatives. This initiative should include business participation in the LifeLong Learning Accounts pilot program being directed by the Council for Adult & Experiential Learning (CAEL).

Sixth, we must solicit financial support from regional foundations for local college students pursuing degrees in the core clusters. Businesses must also provide funding and internship opportunities for students during their college tenure. This effort should be coordinated with the "Energize Indiana" initiative.

Seventh, we must help workers transitioning from industry sectors that are decreasing employment gain skills needed by labor-scarce industry sectors. The Northeast Indiana Workforce Investment Board grant proposal now pending with the Indiana Human Resource Investment Council would fund the early steps in the creation of such a model for the health care industry. Another example would be expansion of the Health Sciences Program at the University of Saint Francis and IPFW.

Eighth, we must seek financial incentives and endorse state and local educational policies that support high school technical training programs, post-high school technical education and the ongoing needs of technical careers.

And finally, we must support state legislation creating job training tax credits to assist and encourage businesses in providing on the job skill enhancement training for their employees.

## The Importance of Thinking and Acting as a Region

In order to successfully implement the economic development vision, we must think and act as an economic region. The relationship between Allen County and other communities of Northeast Indiana is evolving, and roles are changing. Allen County is no longer the dominant provider of manufacturing jobs to residents of outlying counties. Rather, it has become the service hub of the region. Even the traditional "urban" development of greater Fort Wayne is spilling over the borders of Allen County.

The futures of Northeast Indiana communities are closely tied – yet we have relatively weak institutional mechanisms for coordinated public policy. We need to better understand the economic relationships among the communities within Northeast Indiana and develop collective approaches that share scarce resources.

*"Sub-state areas are now becoming the locus of competitive advantage. Indiana needs to be prepared to cope with multi-jurisdictional challenges and to seize the opportunities that cut across political boundaries. Multi-jurisdictional approaches to solving problems related to infrastructure, transportation corridors, environmental quality, workforce challenges and a myriad of other issues will be required to achieve economies of scale, efficient financing and coordinated responses." –from Break Away Growth*

*"This isn't to say that public policies should seek to exacerbate the centrifugal forces of the post- industrial New Economy. It is to say that policy makers need to understand and work with its systemic forces. It is also to say that, because the working economy now is not just the central city but the entire region, policy makers must view the region as a complex interconnected organism whose overall health is affected by the health of the parts. Because the metro area as a whole is the right unit for analysis, it's also the right unit for policy. Policy makers need to look at a host of issues, including transportation, education, training, and economic development, through a regional frame." –from The New Metropolitan Economy*

The Economic Development Action Plan for Fort Wayne and Northeast Indiana included as one of its selected action steps that "Leaders in our 10 counties work together to make Northeast Indiana competitive with the most success regional economies in the world." That document further stated:

*"We need to recognize that we are not in competition with each other; rather, the real competition is with other regional economies. ... Today, regions are the basis for economic development. In the global economy, competition takes place among regions, not among cities or counties within a single region. In the global economy, Allen County does not compete with Kosciusko County. Rather Northeast Indiana competes with*

*the San Diego-Tijuana region, the Essen-Dusseldorf region and the Xian region."*

Three action steps are needed to improve our ability to think and act regionally:

- We must create regional organizations that work in both the public and private sectors.
- We must build upon the cooperation among business leaders in the Northeast Indiana Chamber coalition.
- We must strengthen the regional participation in the Northeast Indiana Corporate Council.

## The Importance of “Quality of Place”

For successful implementation of the economic development vision, the Northeast Indiana region needs to be a well-regarded place to live and work. The right “quality of place” both attracts new residents and workers and makes those already living and working here happy with their work/life environment.

*"In the New Economy, the path to raising wages and quality of life is in ensuring a technologically advanced infrastructure, boosting the skills of the region's workforce, creating fast and responsive government, ensuring a high quality of life —including a high-quality physical environment that is attractive to knowledge workers – and developing a responsive, efficient government. This is not to say that fiscal discipline should not be a cornerstone of government in the New Economy. But a low-cost environment with a poor quality of life is not the ticket to success. ... In the New Economy, metropolitan areas need to shift their focus from providing tax breaks and other subsidies to investing in the skills of the workforce, a vibrant infrastructure for technological innovation, and a superb quality of life." –from The New Metropolitan Economy*

*"Quality-of-place – particularly natural, recreational, and lifestyle amenities – is absolutely vital in attracting knowledge workers and in supporting leading-edge high technology firms and industries. Knowledge workers essentially balance economic opportunity and lifestyle in selecting a place to live and work. Thus, quality-of-place factors are as important as traditional economic factors in attracting knowledge workers in high technology fields. Given that they have a wealth of job opportunities, knowledge workers have the ability to choose cities and regions that are attractive places to live as well as work." –from "Competing in the Age of Talent"*

*"As we enter the age of human capital, where firms merely lease knowledge-assets, firms' location decisions will be increasingly based upon quality-of-life factors that are important to attracting and retaining this most vital economic asset. In high-tech services, strict business-cost measures will be less important to growing and sustaining technology clusters in metro economies. Locations that are attractive to knowledge-assets will play a vital role in determining the economic success of regions." –from "America's High-tech Economy"*

*"In the new economy, the ability to attract talent creates regional advantage. Talent has become the single most critical factor of production. Contrast this with the old economy. In the mass production era, regional competition revolved around the competition for firms. The location decisions of firms drove regional economies, and the location decisions of people followed from the location of firms. For regions, the*

*key was to combine endowments of natural resources or energy with the advantages of transportation systems, labor costs, and/or business incentives to attract firms and industries. ... The new economy dramatically alters this calculus. In the knowledge economy, those places that have talent thrive, while those that do not decline. Knowledge workers are both highly mobile and eagerly sought after by technology employers, and thus have the option of locating virtually anywhere they desire. At the same time, regional growth increasingly turns upon the ability to generate, attract, and maintain the talent base needed to create and grow technology-based companies. Simply put, regional advantage accrues to places that offer the lifestyle advantages required to attract talent, as well as economic and career opportunity and the ability to attract or create firms." –from "Competing in the Age of Talent*

The Corporate Council and Board recognize the importance of quality-of-life issues in achieving the economic development vision. Much remains to be done in determining the type of investments the community must make to improve our quality-of-place. Certainly, the revitalization of downtown Fort Wayne is an important element. Others have been identified in the Invent Tomorrow Strategic Plan. We strongly encourage organizations, including the Downtown Improvement District, Invent Tomorrow, Arts United, components of local government and the many other elements of the regional "community" to pursue an aggressive agenda to constantly seek improvements that make Northeast Indiana a well-regarded and attractive area in which to live, work and invest.

## Measurement

No plan is complete without measurements. The Council and Board believe the following measurements critical to the success of the economic development vision:

By Year Three:

- Halt Brain Drain
- Halt Erosion of Jobs
- Business and education collaborative formed with defined projects undertaken
- Begin attracting knowledge-based jobs and people
- Increase average wage to 85 percent of U.S. average
- Analysis of workforce competency completed with a specific education plan in place to reduce gaps
- Identify and attract venture capitalists to local entrepreneurial projects
- "Quality of Place" projects agreed upon
- Lobby for job training tax credit advantages
- Increase volume of cargo throughput at Air Trade Center by 25%

By Year Six:

- Net gain in jobs
- Ten percent gain in knowledge-based jobs and skilled people
- Key business and education alliances formed and working to benefit of all
- Increase average wage to 90 percent of U.S. average
- Clearly delineated workforce development program in action
- Six entrepreneurial projects completed via venture capital funding
- "Quality of Place" projects under construction
- Passed job training tax credit legislation
- Increase volume of cargo throughput at Air Trade Center by 50%

By Year Ten:

- Net gain in jobs exceeding U.S. average by 10 percent
- Twenty percent gain in knowledge-based jobs and skilled people
- Business/academic/government alliances result in completed projects
- Increase average wage to 100 percent of U.S. average
- Continuous stream of success stories via workforce development
- Steady supply of venture capital and completed projects
- Completion of "Quality of Place" projects
- Reaping benefits of job training tax credit legislation
- Double volume of cargo throughput at Air Trade Center

## Summary

Failure of Northeast Indiana's private and public leaders to act now is a conscious decision to allow the economic infrastructure of the region to continue its slow and steady decline. If the rate of job loss and quality of jobs continue at the current rate, the future of all existing businesses and services is threatened. The problem has been studied and documented well. The time to act in a bold, new way is now. The business and corporate community's commitment to the creation of the Northeast Indiana Economic Development Investment Board is a clear signal of our willingness to *invest in our future*—the future of Northeast Indiana. A vibrant economy with new and diverse employers will guarantee a bright future for our region.