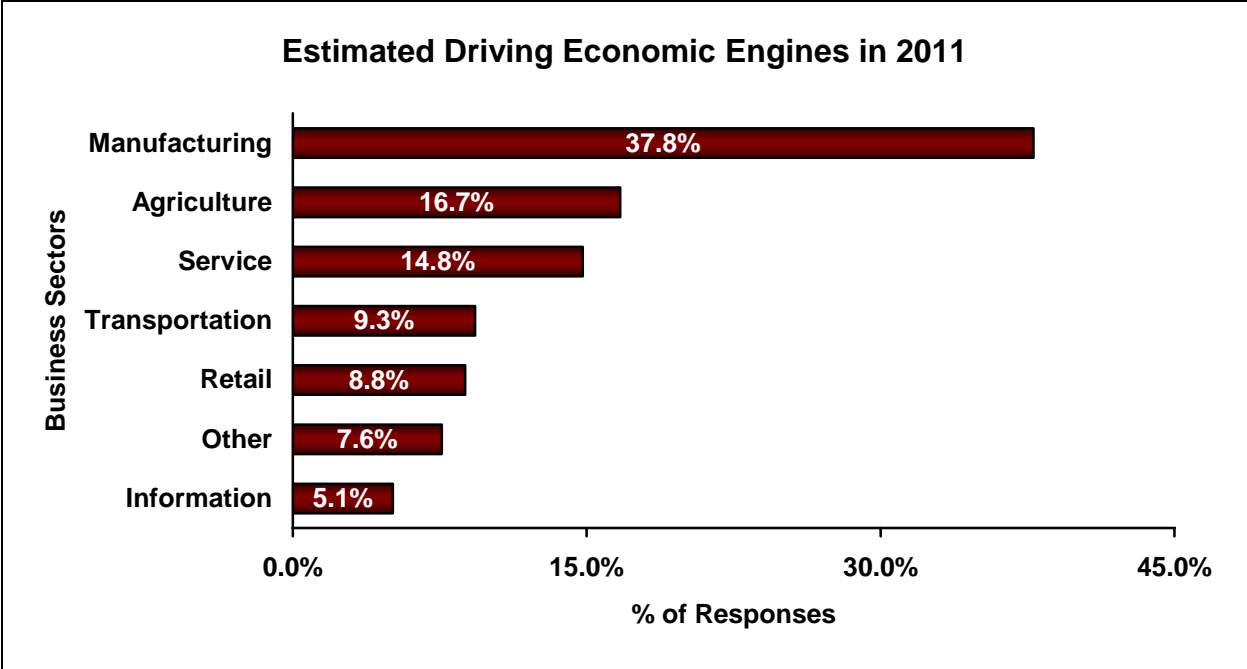
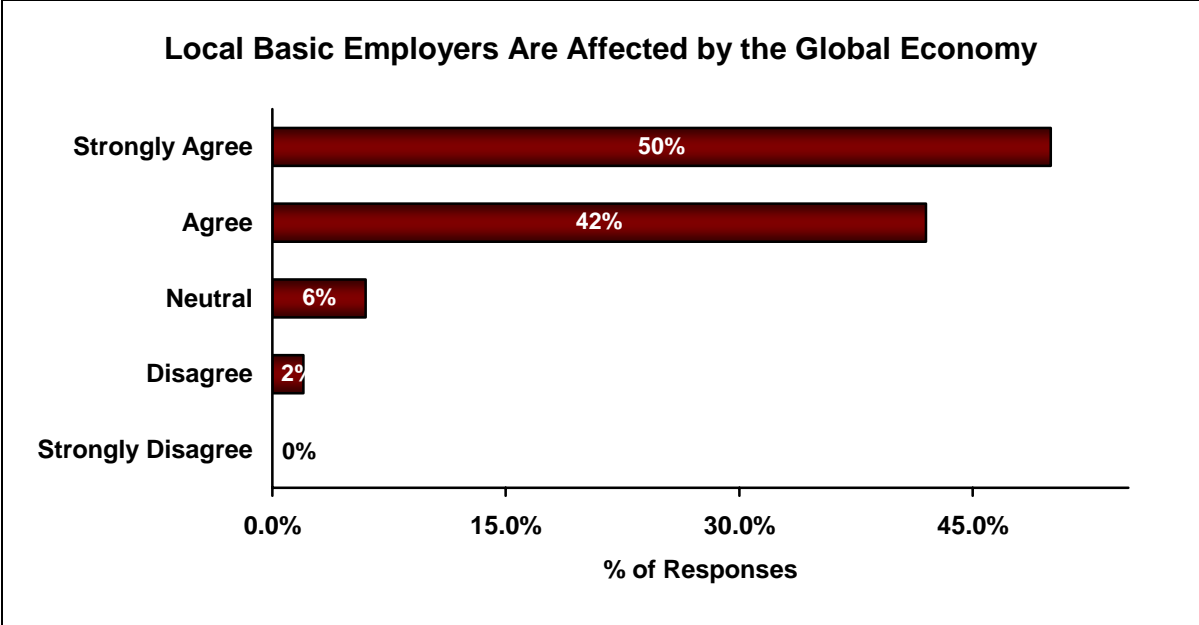


These numbers may raise concern to local economic developers. The two sectors that are responsible for the lion's share of economic growth in these communities are also the same sectors that have continually been prey to outsourcing and mass mechanization and automation. Although concern may be warranted, it is also important to remember the historical context of these communities. The numbers in the graph above may only be representing the remnants of their 20th Century economies. The more important question is, whether or not these communities are transitioning.

Economic developers were asked to estimate what the most important economic sectors in their community would be in five years. Some subtle, but important changes were observed.



There was a noticeable decline in both the manufacturing and agriculture sectors. This was accompanied by modest increases in information, retail, and service. Although the overall numbers are small, the implications are large. Agriculture and manufacturing have been the primary sources of job development in Indiana for the majority of the 20th Century. A decline in their stature has implications for every community in Indiana. The transition from traditional business sectors to the driving engines behind the new global economy is a story unraveling all over the country regardless of the region's demographics or geography. Recognition of this transition is vital for economic developers to position their community to take advantage of the new economy. According to the survey data, the vast majority of economic developers are at least aware of the impact of the global economy.



The numbers represented in the graph above are encouraging. The developers that responded to this survey overwhelmingly recognize that the global economy has an impact on the local businesses they are trying to help. It would seem that developers in the state of Indiana are poised and ready for the new economy. When asked about the current state of their community’s business environment, the majority of the respondents gave themselves favorable marks.

Local Business Conditions					
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Local basic employers are working with regional partners in areas such as training, outsourcing, and marketing.	2 %	22%	26%	44%	6%
The overall business environment in my community is healthy.	2%	10%	24%	52%	12%
The cost of doing business in my community is higher than the state average.	22%	48%	16%	12%	2%

Over 88% of the respondents were either neutral or agreed that the current business environment was healthy. The majority of the communities (70%) disagreed that the cost of doing business in their community was higher than the state average. Roughly half, of the communities have businesses working regionally in areas such as outsourcing, training, and marketing. The perception left behind from this series of questions is relatively optimistic. The initial questions in the survey were used to measure the current perceptions of the local economic developers towards their economies. The next section of the survey will address the strategies of local developers and the status of available infrastructure and tools to implement those strategies.

A solid infrastructure in a community is a vital building block in the foundation of a strong local economy. Without certain basic infrastructures, business retention becomes difficult and attempts at business expansion and recruitment become exercises in futility. When developers were asked about the state of basic infrastructures in their community, some concerning figures emerged.

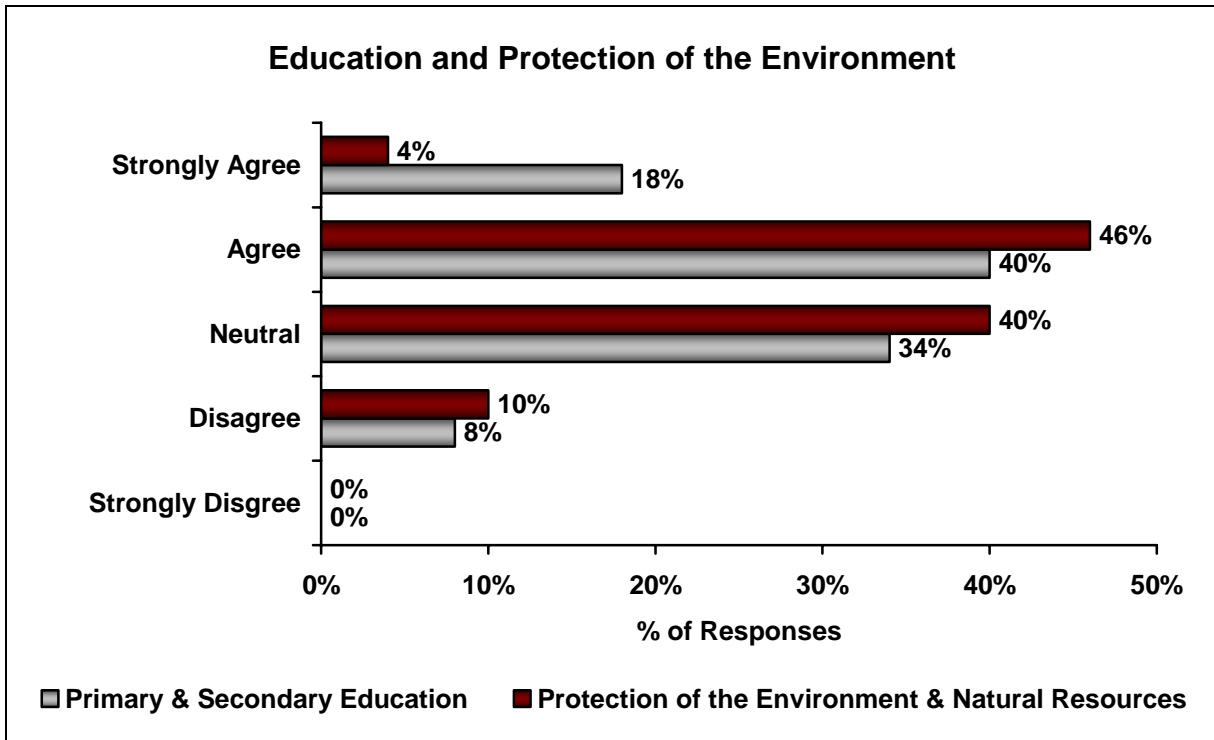
Conditions of Community Infrastructure					
	Poor	Fair	Average	Good	Excellent
Water	0%	8%	10%	38%	44%
Sewer	8%	12%	16%	42%	22%
Inter-urban highways	8%	12%	28%	28%	20%
Rail	18%	12%	25%	27%	18%
Airports	22%	14%	24%	22%	18%
Broadband telecommunications	10%	14%	20%	32%	24%
Workforce education	4%	20%	30%	40%	6%

Communities scored well on traditional types of infrastructure. Water and sewer had consistently solid scores as well as rail and inter-urban highways. These four infrastructure assets were the primary contributors to economic development in the past. Manufacturing companies needed sufficient water and sewer systems to cater to their large plants. They also required access to quality highways and railroad infrastructures in order to receive raw materials and ship their product. These assets should not be neglected. They still serve as a business retention tool and at times can be used to attract the rare manufacturing company that is looking to construct a plant. Unfortunately, in today's economy, these assets have lost a large degree of their utility for economic development.

The numbers highlighted in red are of greatest concern. All of us, either in our personal lives or in our businesses have seen the dramatic impact of the internet and information technologies. E-commerce, networking, and just-in-time-inventory, were buzz-words of insider techies in the late 80's and early 90's. They have now become the backbone of many of the most successful businesses in the 21st Century. In order to capitalize on these new methods of business and commerce, communities must have the required technological infrastructure. Almost 44% of the communities ranked broadband telecommunications infrastructure as average or below.

All of the infrastructure in the world will not help if developers do not have an educated workforce to fill the jobs of the 21st Century economy. Cheap labor is no longer a raw material that communities can advertise. Outsourcing has made the market for cheap unskilled labor almost impossible for American communities to contend with. Economic development in the 21st Century will be driven by ideas. The majority of these ideas will be created and supported by a highly educated workforce. Communities with a large proportion of educated workers will be in a position to capitalize on new economic trends. Unfortunately, 54% of economic developers in Indiana ranked their communities average or below in regards to educated work force.

Basic infrastructures are not the only tools available to economic developers. As the country's workforce becomes more and more mobile, their ability to choose where they live has expanded from job consideration to quality of life issues. An individual with a degree in computer programming does not require a desk at MicroSoft headquarters. All he or she really needs is access to broadband telecommunications. That allows this person to live in a community that caters to the individual's lifestyle and preferences. Local developers were asked to rank the status of several different quality of life assets in their community. The chart below illustrates the degree to which developers perceived education and protection of the environment assets for economic development.



Education and the environment score well overall. The majority of developers agreed that K-12 education and protection of the environment were assets that helped attract business, people, and tourists to their community. The quality of education is especially important for attracting young families into the community. Education is often a top priority for many families when trying to decide what community to live in.

The other quality of life issues that were surveyed did not fare as well. The availability of quality housing is essential in any community. It has become even more important as more and more individuals are gaining the ability to conduct their business out of the comfort of their homes. Thirty percent of the respondents disagreed that their community’s housing served as an attraction for new residents and businesses. This is a substantial number of communities who did not have quality homes to offer potential residents.

Other less tangible quality of life issues also contribute to a community’s ability to attract residents. Often times, potential residents are attracted to communities that provide positive social experiences. Developers were asked to rank these areas in regard to whether or not they serve as attractions for potential businesses and residents.

Quality of Life Assets					
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Downtown Vitality	2%	38%	18%	36%	6%
Arts & Culture	4%	38%	18%	34%	6%
Recreation & Entertainment	4%	10%	32%	46%	8%

Downtown vitality and arts and culture both had over 40% of respondents disagreeing that they attract newcomers. These are not surprising figures, given the fact that many small towns do not have the capability and resources to maintain many arts and culture events. Also, downtown areas have been hit hard by large corporate retail, and the migration of many young people to large urban areas. Recreation and entertainment score well, with a large majority of respondents agreeing that their community's recreation and entertainment serves as an attraction for potential newcomers.

The previous data has given us a relatively detailed status of community's infrastructures and quality of life assets. It has also given a certain degree of insight into the perceptions of economic developers. The question that remains is what are local economic development organizations concentrating on. It is important to examine the connection between the developers perception of his or her community in today's economy and the actions he or she is taking to better their business environment. Developers were asked to measure to what degree their organization is active in several areas of economic development.

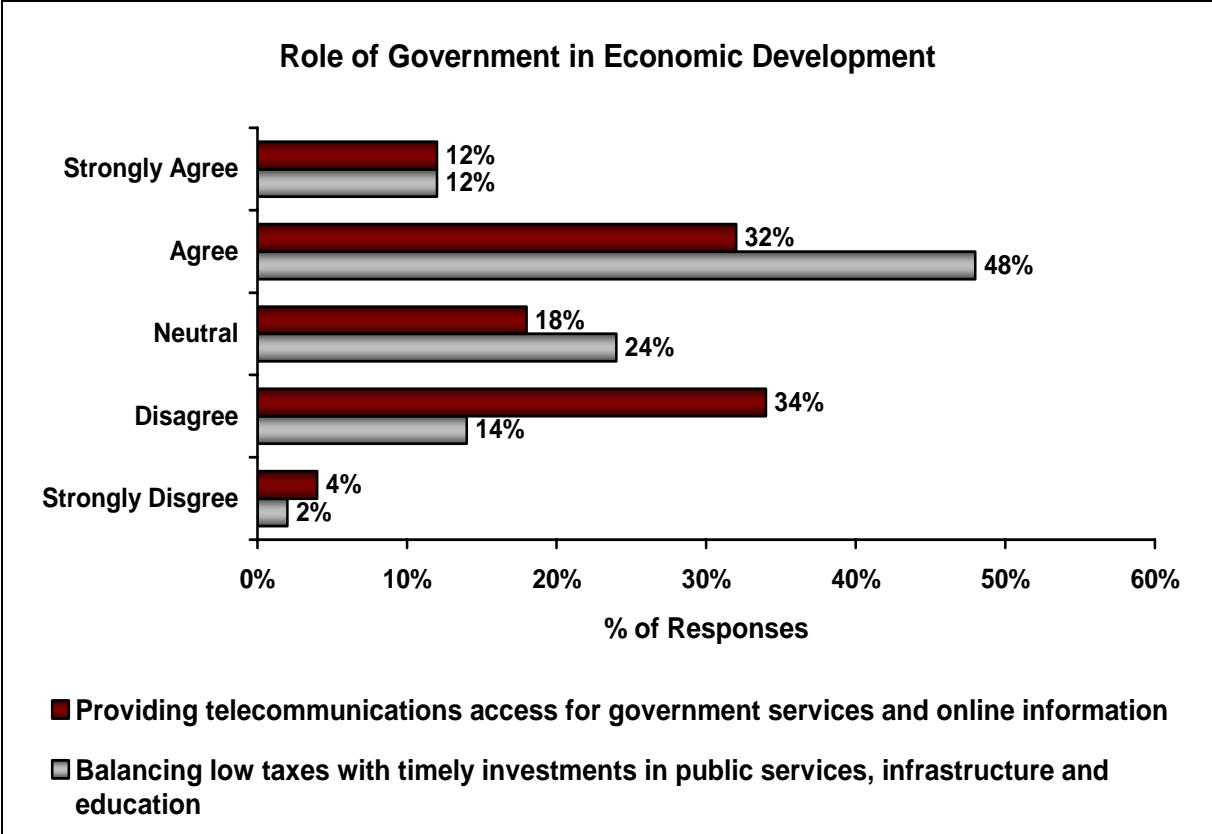
Economic Development Activities					
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Helping basic employers take advantage of the global economy	0%	8%	32%	56%	4%
Helping workers with education and training needs	2%	6%	20%	54%	18%
Working with regional colleagues to help basic employers in training, outsourcing, and marketing	0%	4%	24%	58%	14%
Increasing Downtown Vitality	8%	18%	20%	46%	8%
Focusing on Primary & Secondary Education	0%	14%	36%	44%	6%
Protecting the Environment and Natural Resources	4%	18%	47%	31%	0%
Promoting Arts & Culture	6%	30%	26%	36%	2%
Providing a Range of Housing Choices	6%	34%	20%	38%	2%
Providing Recreation & Entertainment	4%	34%	26%	34%	2%

Economic development organizations are taking an active role in preparing local businesses for the global economy. An overwhelming majority of respondents agreed that their organizations were taking advantage of the global economy. The opportunities to assist businesses in this endeavor are as diverse as the businesses are. Education on global marketing, e-commerce, or the use of broadband technologies are just a few of the ways that economic development organizations are helping their local businesses.

Local economic development organizations are putting a large emphasis on training and education. Roughly 72% of the organizations agreed that they were active in training and working with regional partners on such issues as outsourcing and marketing. Information and awareness is a very important first step in business's transition to the new global economy. These efforts are done mainly for the purpose of business retention and expansion. Organizations should not feel that they are emphasizing too much on business retention and expansion. Much of the potential growth for communities will come from businesses and individuals already located in the community. The important thing is that organizations are giving local business the information and tools to realize that growth.

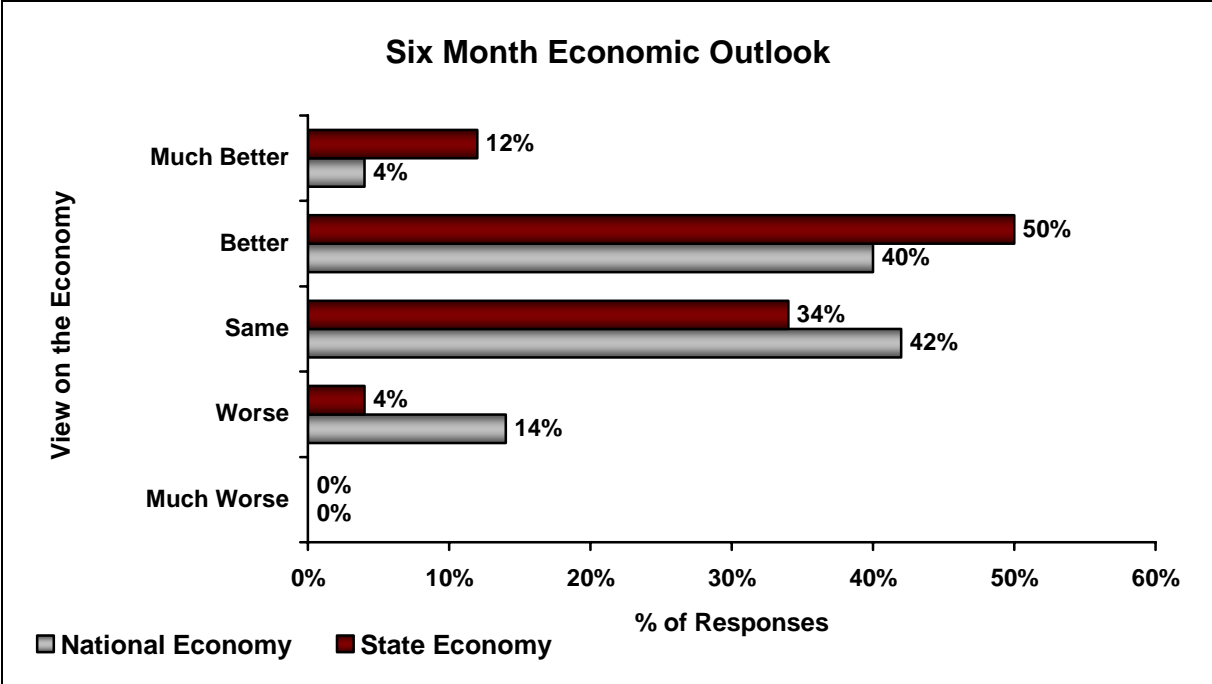
Development organization did not express the same emphasis on quality of life issues. Housing, arts and culture, and entertainment and recreations all saw approximately 40% of the respondents disagreeing that their organizations were active in their improvement. There may be several reasons for this. Other community organizations such as civic and commerce and private clubs may be active in the improvement of these areas. Local economic development organization may not have the resources to take an active role in all of these areas. Perhaps, local organizations don't believe that these particular areas are appropriate sectors for economic developers to be in. One of these reasons or perhaps all of them has lead to the lower emphasis on quality of life issues. The ability to attract the nomadic employee of the 21st century will directly depend upon these quality of life issues. Business attraction will no longer mean large property tax breaks and community funded infrastructure projects to support large factories. The face of successful business attraction in the future will be the scene of 20-40 year old individuals and families buying homes in these communities. Their motivation to do so will not be based on whether or not the factory is in the community. Instead, individuals and families will choose their place of residents based on quality of life preferences. The job will follow them wherever they go, as long as there is access to the necessary telecommunications.

Local economic development organizations are not alone in the fight. Local government's have strong ties to the local economy. Local governments' funding is directly tied to the health of the economy. Often times the current or former business leaders in the community fill the seats in the local government. Respondents were asked about the local government's perceived role in economic development.

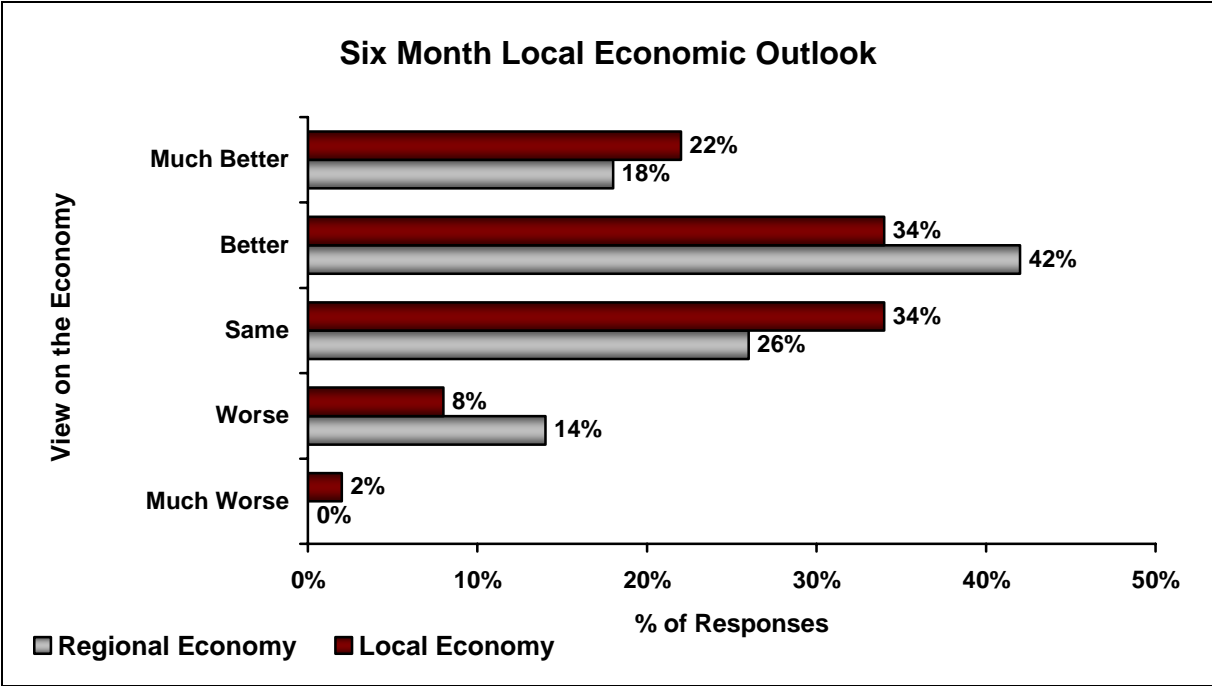


The majority of local governments are doing their part to assist local businesses. A healthy business environment appears to be a top priority for 60% of the local governments. The development of broadband telecommunications by local governments did not produce the same results. Thirty eight percent of the respondents disagreed that their government is providing state-of-the-art telecommunications access. Based on the numbers provided, the overall sentiment of local development organizations towards their local governments is favorable. There is still room for improvement in the provision of telecommunications, but the government pursuit of a healthy business environment is demonstrated clearly in the first question.

It is evident that local economic developers are faced with a myriad of challenges. The transition to a fast-paced, information-based, global economy has presented new unforeseen challenges to local business. However, this transition has also presented opportunities and local economic developers are optimistic about these possibilities.



Respondents voiced the most pessimistic outlook for the national economy. Fifty six percent of the individuals surveyed felt the national economy would stay same or get worse in the next six months. Perceptions of the state economy were more optimistic with 62% of the respondents estimating a better to much better economy. Perceptions of the regional and local economy paralleled respondent’s perception of the state economy.



Local economic development organizations continue to pursue healthy business environments for the communities they live and work in. There are multiple and at times contradicting

strategies to pursue economic development. A clear well thought out strategy is essential for an organization to maintain its goals. Respondents were polled to see if their organizations contained such strategies. A large percentage, 43%, stated that they did not have such a document. Organizations should be aware of the benefits of a strategic plan and take action to develop a strategy and adhere to it.



The purpose of this survey was three fold. One, to gain some insight into local economic development professional's perceptions of the state of their local economy. Secondly, to get a crude assessment of infrastructure and quality of life assets that development professionals can use to retain, expand, or attract businesses. Finally, the survey attempted to understand what current professionals in the field were emphasizing and how they felt the future looked.

The results depicted a transitioning economy. Economic development professionals are aware of the global economy and are taking steps to educate their local businesses. Adjustments need to be made for the demands of the new economy. Different infrastructures are needed and quality of life assets will become more and more of a crucial element in business attraction. A clear well thought out strategy is an essential first step in this transition. Times are changing, and those who embrace the change stand to benefit the most.

This report was written by SDG intern Scott Fadness, with the assistance of SDG staff.