



Understanding Economic Development¹

It is absolutely vital that we have an economic development strategy that enables our region and our state to be a competitive place to attract and retain high value-added, dollar importing businesses in order to create high paying jobs and sustainable economic opportunities for Vermonters.

A healthy and sustainable economy functions much like a biological organism; at all times portions of the organism are growing to replace those that become weak, mature, and die. Goods and services produced within the region and sold to consumers outside the region result in dollars flowing into the region's economy. Those are the dollars that provide the fuel necessary for the renewal of a region's economy. They circulate through the economy as wage earnings, rents, and purchases of goods and services. The total dollar impact is greater than the sum of the parts and the flow generates new investment that sustains and renews the capacity of the economy. Without these dollars to support the renewal of the economy, the prospect of future prosperity is lost as relative job and income growth performance is reduced through loss of economic productivity.

Economic Development should not be confused with land development. Economic development means many things to many people. To some, it means creating new job opportunities. To others, it means increasing the grand list of individual communities. To others, economic development is viewed as the process of consuming more of the world's finite resources, which inevitably leads to the degradation of the global environment. Still others view economic development as a way to make the economy stronger, and working hard to achieve sustainable improvements in the lives of workers and families. With so many different views, it is not surprising that economic development is often mislabeled and misunderstood.

Careful consideration of the term economic development finds that it is a term that encompasses much more than just creating additional businesses and jobs, or adding to a municipality's or region's tax base. Real and more enlightened economic development is about "building a community's capacity for shared and sustainable improvements in the economic well-being of residents."² Under this definition, it is not just access to any job. It is about access to good jobs, ones that can support an adequate standard of living for all residents of a region or community. It is also about continuous and sustainable improvements in the internal functioning of the economy, where its structural underpinnings are made stronger without sacrificing long-term quality of life.

¹ The following information, definitions, and conceptual framework would not be possible without the resources, prior work, and reports from Economic and Policy Resources, the GBIC Comprehensive Economic Development Strategy, and GBIC Economic Plans

² From Local Partnerships for Economic Development, Executive Office of Communities & Development, State of Massachusetts (1994).



A healthy, vital and sustainable economy is what is required to provide the public resources for a strong social safety net, the protection of the environment, and high-quality public services such as quality roads, and good schools. All of those are attributes of the superior quality of life in strong communities.

Economic Development:

- Economic development is about building a community's capacity for shared and sustainable improvements in the economic well-being of residents.
- Economic development is about access to good jobs that can support an adequate standard of living for all residents of a region or community. Economic development is also about continuous and sustainable improvements in the internal functioning of the economy, where its structural underpinnings are made stronger without sacrificing long-term quality of life.
- Economic development provides the means and the continuous process to strengthen the foundation of our communities.

Why we need economic development:

- To constantly renew and strengthen the "living economy".
- To address on-going infrastructure needs of key dollar-importing regional businesses.
- To supply the financial resources in order to create and sustain healthy communities.



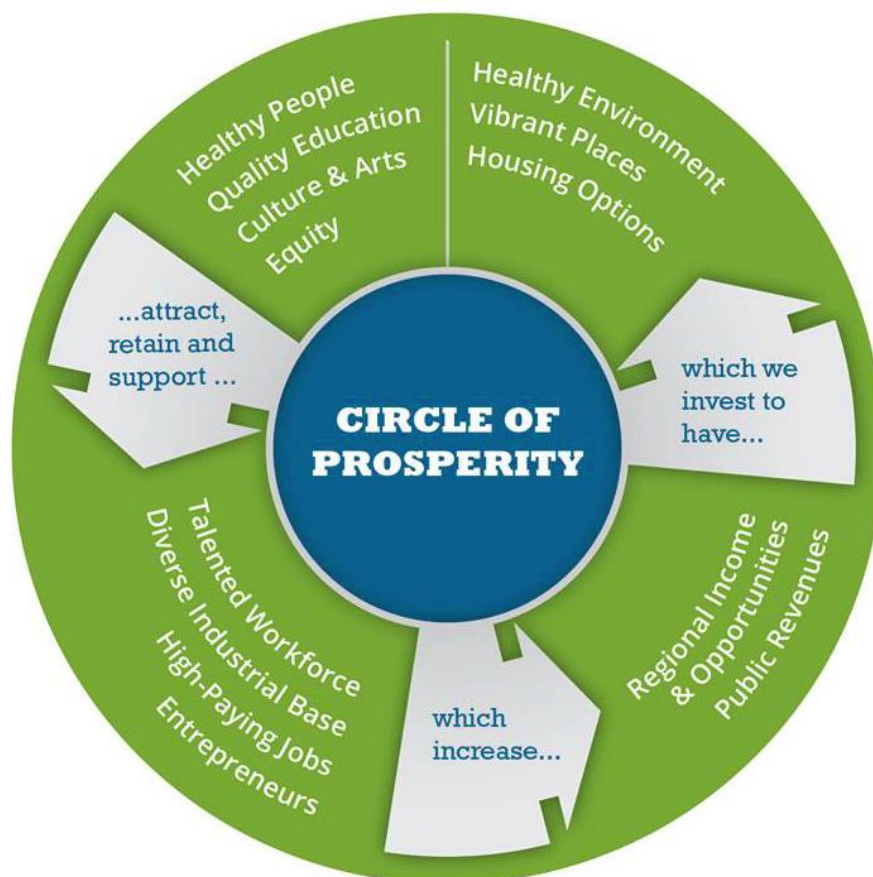
GBIC

Good Jobs In A Clean Environment

The Circle of Prosperity:

When a state has and maintains a talented workforce it attracts a diverse industrial base of dollar importing businesses that create high wage jobs. Economic driver dollars flow into the private sector to provide taxes, public revenues, capital, resources, and employment opportunities. These private sector actions fund the public sector's operations through taxes and governmental fees of which both the public and private sectors invests in creating and maintaining a clean environment, good schools, access to higher education, housing, and enhances the state's quality of life creating healthy communities.

The "Circle of Prosperity" illustrates this interrelationship. First articulated in Vermont back in 1997 by the Vermont Business Roundtable, the "Circle of Prosperity" emphasizes the fact that economic development and healthy communities are a system, involving the collective and sometimes coordinated actions of many individuals, businesses, and institutions.³



³ Economic and Policy Resources 2004 Chittenden County Economic Plan. The Role of the Vermont Business Roundtable in the Evaluation, Coordination and Support of Economic Development Policy in Vermont, Report of the Economic Development Task Force, 1997. pp.1-2.

Frank Cioffi, President

• P.O. Box 786 • 60 Main St., Burlington, VT 05402 •

Tel. 802.862.5726 • Fax: 802.860.1899 • info@gbicvt.org • www.gbicvt.org



Economic Development Market Focus:

The primary economic market focus of the economic development practitioners is to work with the Vermont Department of Economic Development and the region's municipalities to retain, sustain, and attract high value-added economic opportunities for Vermonters. The primary focus is the value-added, dollar importing, goods and services exporting industry sectors.

The primary goal of regional economic development corporations is the creation and retention of value-added jobs that will employ Vermonters, draw dollars into the state, strengthen the region's economy, and improve the quality of life for area residents. The economic focus of GBIC is the region's value-added industry sectors and the region's economy-driving businesses.

Value-adding, goods and services exporting, dollar importing employers are the economic contributors that form the base of a region's economy.

The value-added industry sector is defined by enterprises that add value to a good, a product and/or a service and then export these goods, products, and/or services, thereby importing money into the state. This creates the highest wage jobs, economic opportunities for Vermonters, and forms the base of the foundation of our state's economy.

These businesses tend to be the primary generators of capital in a region's economy and create the highest wage employment opportunities for working Vermonters.

Vermont's RDCs conduct ongoing value-added business visitation programs to know and understand the issues and opportunities facing Vermont's regional value-added industries.

Economic Drivers defined:

Economic drivers are businesses that add value to a good, product, and/or service and then export the good, product, and/or service and then import cash into the state. Dollars from these companies flow into the private sector to provide capital, resources, and employment opportunities.

Economic drivers form the foundation of our regional and state economies and we must know who they are and do whatever we can as a state to keep them here in Vermont.

Key attributes of Vermont's Economic Drivers:

- Produce "dollar importing" high-value goods and/or services.
- Achieve superior levels of labor productivity through specialized applications and/or knowledge.
- Maintain a continuous program of improvement to productive capacity and efficiency through capital investment.



- Maximize the region's intellectual capital resources through collaborative initiatives that utilize the strengths of industry, higher education, government, and civic organizations.
- Are attracted to state's natural resource endowments to gain competitive advantage.

There are four types of basic economic development:

1. Business/Job Creation
2. Business/Job Retention
3. Business/Job Expansion
4. Business/Job Attraction

Creation of New Businesses and Jobs:

Most successful and sustainable business and job creation comes from existing employers, entrepreneurs and innovators. Those employers, investors, entrepreneurs and innovators who are already living in Vermont are the most likely prospects to continue to invest in Vermont and create economic and job opportunities in our state.

Retention of Existing Key Employers is Job # 1 in Economic Development

The oldest rule in economic development is to keep your home businesses competitive and to retain them. The value of retaining our state's existing value adding, dollar importing, goods and service exporting employers is job #1 for economic development practitioners. Vermont rarely attracts employers that come into our state with initial job offerings of over 50 employees, so the retention of our state's most significant far outweighs allocating significant resources into chasing rising star sectors. Retaining and valuing these employers is essential to saving and creating good jobs for working Vermonters. So the retention of our state's most significant economic driver employers is always our top priority. A quality job preserved is as valuable and as good as new job created. In these competitive economic times working Vermonters and their families cannot afford to lose their high paying jobs in our state's current economic driver businesses.

Expansion of Existing Economic Driver Employers

Most new job creation will always come from employers that are already domiciled in our state. Knowing, understanding and addressing their needs and requirements to remain competitive will almost certainly make Vermont the site of choice for expansion of jobs and economic investments.

Grow through Innovation and Entrepreneurial Development

The Organization for Economic Cooperation and Development (OECD) put forth the definition of innovation, knowledge-based economies as "economies which are directly based on the



production, distribution, and use of knowledge and information.” In the OECD’s efforts to further refine their definition of a knowledge-based economy, they invented two related concepts. The first concerned “investment in knowledge,” relying on a statistical definition: “expenditures directed towards activities with the aim of enhancing existing knowledge and/or acquiring new knowledge.” For the OECD, this amounted the sum of the expenditures on research and development (R&D), higher education, and software. The OECD, in the second concept, provided for the classification of “knowledge-based industries,” stating that such business had the following three characteristics: 1) a high level of investment in innovation, 2) intensive use of acquired technology, and 3) a highly-educated workforce.

The most vital component to Vermont’s economic landscape is innovation. Innovation is knowledge creation by either improving on existing knowledge or through the development of new ideas. For businesses, innovation provides a means by which companies can adapt to changes in the marketplace as well as to improve on techniques and technologies. This creative quality is not relegated to the business community alone or a class of innovative individuals. Indeed, all people within the community have the potential to generate new ideas which, when properly facilitated, can lead to new commercial ventures. The bio-researcher who develops a new cancer drug and the Vermont dairy farmer who designs more efficient ways to manufacture and market cheese products (knowledge-based farming) expand the knowledge held prior to their innovation and each provides a new marketable commodity. In this sense, a region with a thriving creative economy is one that emplaces a system to assist the smooth transmission of ideas to the marketplace.

In an economy where knowledge and innovation are key, education in general and higher education in particular are the fulcrum points upon which success and failure hinge. Vermont has a unique advantage in this area, as higher education is represented well throughout the state. It stands to reason, therefore, that the University of Vermont, Middlebury College, Champlain College, Norwich University, St. Michael’s College, the Vermont State Colleges and Vermont’s institutions of higher education should serve not only as focal points for the creation of new information, but also as conduits for those innovative people outside these schools to bring to market their new ideas. This requires the development of partnerships between higher education and businesses as well as an established network of contacts with equal and open communication among partners. While the accomplishments of the Vermont Technology Council and the Experiment Programs to Stimulate Compleitive Research program (EPSCoR) are notable to be sure, a knowledge-based economy warrants an expansion of these programs that furthers the integration of the business and higher education communities.⁴

In developing and sustaining an innovation knowledge-base society, higher education, state, and business leaders should recognize the importance of three central themes: improving

⁴ Excerpted from Shane Barney, GBIC-Vermont Business Roundtable Knowledge base Society Study



education, investing in research and development, and developing a system that enables the transmission of ideas to the marketplace.⁵

Characteristics of an Innovation, Knowledge-based Society

- Driven by Technology and Information
- Evolutionary by Nature
- Education is a Key Component
- Dependent on Creativity and Innovation
- Highly Competitive in the Global Marketplace
- Encompasses all Members of Society
- Relies on Networks and Partnerships

The Five Policy Pillars of an Innovation and Knowledge-based Society

1. Foundational investments in education, training, and scientific and technological research
2. Creation of an open and flexible regulatory and trade system that supports growth and innovation, including policies that support the IT revolution
3. Development of policies to enable employers and employees the needs tools to navigate, adapt, and prosper in a continually changing economic environment
4. Reinvention of the state government and organizations involved in economic development to make them fast, responsive, and flexible.
5. A proper balance between too narrow and too wide of a policy.⁶

These are entrepreneurs that through creativity and innovation start businesses and want to keep themselves and their businesses here.

Examples of our region's and state's successes of companies created by Vermont innovators and entrepreneurs are: Dealer.com, Rhino Foods, Burton Snowboards, Gardeners Supply, Ben and Jerry's, Green Mountain Coffee, My Web Grocer, Seventh Generation, Union Street Media, Harringtons, Dakin Farms, King Arthur Flour, NRG Systems, Microstrain, The Vermont Teddy Bear Company, OnLogic, Lake Champlain Chocolates, Blodgett Ovens and Beta Technologies. To our good fortune primary characteristic of these innovators and entrepreneurs is that they are already members of our communities and they want to stay and grow here. These are

⁵ Shane Barney, GBIC-Vermont Business Roundtable Knowledge base Society Study

⁶ Shane Barney, GBIC-Vermont Business Roundtable Knowledge base Society Study



businesses and business people who love Vermont and want to stay here and innovate, invest, create things and live in Vermont.

We must focus upon creating an environment and support network that encourages, nurtures and develops entrepreneurial enterprise and innovation must be one of our primary economic development goals and programmatic priorities.

Coordinate and promote the providers, programs, and services already available in the State to create an economic ecosystem of resources that is easily navigable at all stages of the innovation and entrepreneurial continuum. This must aggregate and address services such as finding capital, mentorship, prototyping, commercialization, etc.

Strategic Business Attraction and Recruitment:

States with limited resources that are allocated towards business recruitment should be very targeted and strategic in their efforts to attract new employers and jobs.

- Developing and maintaining a highly targeted business recruitment strategy that includes identifying those existing businesses in the state with good expansion/growth potential is an important component of any successful economic development strategy.
- Vermont should broaden its recruitment efforts into new, currently under-represented industries that have a competitiveness profile that is consistent with the key regional and statewide business attributes for success and/or utilize substantially same or functionally-similar approaches that successful Vermont based companies employ to achieve their success.
- One of the most essential elements in creating a successful recruitment program is to seek to find employers that are a fit for the culture of our state.
- Creating an environment and support network that encourages, nurtures and develops entrepreneurial enterprise and innovation must be one of Vermont's primary economic development goals and programmatic priorities.
- Offer and maintain meaningful, performance-based economic incentives that encourage high wage and high value-added jobs, that incent investments in people, job growth & retention and incent capital investments (facilities, equipment, systems and processes).