

practice indicate are key potential points of intervention to stimulate regional economic growth.




**REGIONAL MARKET ANALYSIS: LEVERAGE POINTS**

Enhancing the region’s next economy positioning while ensuring it is opportunity-rich and sustainable requires interventions that effectively influence the dynamic systems, interactions, and operations that constitute it. A sophisticated and strategic focus on regional economic development requires that attention be paid to six finer-grained “leverage points” for affecting growth. These levers form the structure of the business plan approach to economic development in the Minneapolis Saint Paul metropolitan region of the future, as outlined in the following specific sections.

Each leverage point is related to the others, which allows for each sort of intervention to have implications for the entire regional economy. The goal of the leverage points is not to shape siloed policies and programs, but integrated, multi-dimensional ones that reflect how various issues connect in a regional economy. Taken together with the meta-dimensions of the next economy and the drivers of regional (and national) prosperity, the leverage points for affecting metropolitan prosperity provide a useful framework for analyzing regional economic performance and constructing a business plan to enhance it.

**Lever 1: Enhance Regional Concentrations**

Concentrated economic activity benefits the production of goods and services by reducing transportation costs, enabling shared labor and other inputs, facilitating spillovers and exchange, and enhancing innovation. Reflected regionally through the size, input-output relationships and interactions of clusters of related firms, occupations, and/or functions (e.g., headquarters or back office activities), an analysis of regional concentrations can reveal which ones have the most potential for growth and whether their productivity and efficiency could be improved by pursuing particular metro-scaled strategies, such as developing specialized human capital, key infrastructure, or formal and informal networks.

Key Findings	Evaluation
<ul style="list-style-type: none"> <li>• Region represents the 16<sup>th</sup> most populous and comprises the 14<sup>th</sup> largest economy in the nation, with gross domestic product of \$193 billion in 2008.<sup>33</sup></li> </ul>	
<ul style="list-style-type: none"> <li>• Region is economically diverse, home to headquarters of twenty-one Fortune 500 corporations, and has the second-highest concentration of Fortune 1000 and Standard and Poor’s 500 companies, according to a 2007 survey.<sup>34</sup></li> </ul>	
<ul style="list-style-type: none"> <li>• Initiatives are developing that will stimulate industry and occupational clusters and coordinate economic development efforts on a regional scale.</li> </ul>	

### *Current State of Industry Concentrations in a Diverse Economy*

Development of regional concentrations in multiple industries has supported growth that until the last decade has consistently allowed the region to outperform peers. The region's real income per capita and gross domestic product per capita exceed national and Midwest averages<sup>35</sup>, due in part to concentrations of firms in various stages of organization as clusters.

Regional concentrations of skills and capital are present, but addressing challenges and maximizing metropolitan potential requires better information about the basis for clustering and the degree to which industries and occupations are organized. Multiple analyses have identified those concentrations offering the greatest potential, and those clusters with organizational structure in place to strengthen through collaboration.<sup>36</sup>

The Regional Competitiveness Project, a joint initiative among Minnesota Department of Employment and Economic Development (DEED), the University of Minnesota Humphrey School of Public Affairs and the Regional Council of Mayors, has identified clusters in the region that exhibit six characteristics of significant concentrations:

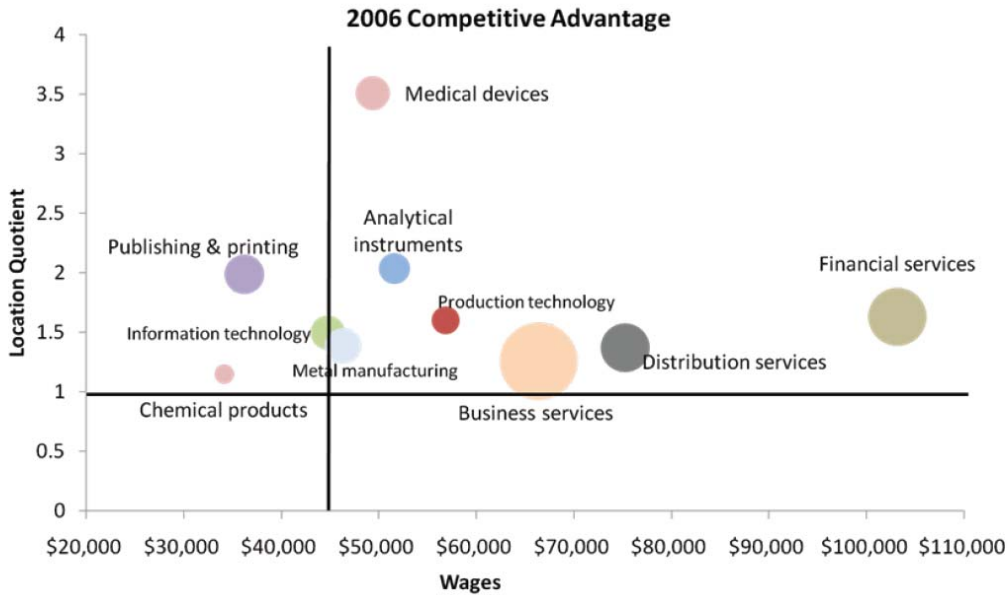
- Strength of competitive advantage (existing or emerging)
- Potential gain for industry cluster from private/public collaboration
- Degree of geographic distribution in the region
- Potential to spur innovation
- Potential to spur entrepreneurship
- International strength

DEED analysts and Humphrey School researchers evaluated 41 traded industry clusters in the region, and identified ten satisfying the above criteria. These ten are listed below with an eleventh identified by the Twin Cities Greater Metropolitan Workforce Council (health care):

- Analytical instruments
- Business services
- Chemical products
- Distribution services
- Financial services
- Health care
- Information technology
- Medical devices
- Metal manufacturing
- Production technology
- Publishing and printing.

The current conditions in each of these clusters vary, from primarily a geographic concentration of firms and workers with aligned skills to more formal research innovation and manufacturing organizations. Parallel research undertaken statewide has documented the importance of a bioscience cluster including firms involved in medical devices and biologics, animal health, food, and renewable energy and materials.

## STRENGTH OF COMPETITIVE ADVANTAGE



Source: Regional Competitiveness Project. Size of circles indicates occupational concentrations

The need to clearly understand the profile and interrelationships among regional clusters, and create structures that reflect the regional nature of these economic networks, aren't new challenges in the region. However, the region is in a state of transition from old to next economy, which presents tandem opportunities and threats to regional prosperity and the extent to which prosperity is broadly distributed. To exploit these opportunities and mitigate the threats, regional leaders need to understand in detail the composition and relationships of key clusters, as well as have the tools required for an effective regional approach to their development.

### *Recruiting Talent and Firms to Reinforce Concentrations*

Cultivating industry and occupational clusters within the region, and attraction of firms and workers from outside the region each represent the focus of multiple initiatives. Yet, efforts and structures for recruiting talent and firms from elsewhere in Minnesota, the nation and globe are unsynchronized.

A series of recent interviews indicate that the region is “not on the map” for site consultants and other experts who help companies identify and evaluate locations for business expansion.<sup>37</sup> Moreover, the business climate in the region and the state are perceived as unfriendly or over-regulated by some observers. These highlight the absence of an integrated recruitment and communication strategy among business and economic development leaders in the region.

In addition to more than forty organizations at least partially charged with economic development responsibilities, related efforts are underway by most metro municipalities, which number close to 200.<sup>38</sup> Overlap of geography and responsibility is redundant and

inhibits development of strategic direction that could serve to recruit and retain firms in the region.

Regional economies that aggregate and share prosperity require concentrations of key inputs: Skilled workers, access to capital, access to marketplace. Each of these is addressed in subsequent discussion, and reinforce the importance of the following goals for enhancement of the region's concentrations.

#### *Goals*

- Use evolving understanding of key industry and occupational clusters to develop and implement region-scale cluster strategy
- Increase the effectiveness of recruitment and retention efforts by consolidating these functions on a regional level

#### **What about Place?**

Place and quality of life play a significant role in attracting and retaining residents and business leaders in the region. A regional system of accessible parks and open space, a diverse and acclaimed arts scene, engaged and active citizenry, distinct and cohesive neighborhoods, and lakes in and near the city are among the highly valued characteristics that draw talent to the region.

Benefits associated with these assets span across the leverage points of human capital deployment, spatial efficiency, effective public and civic culture, and regional concentrations. Threats to these amenities could impact the regional economy in multiple ways. Parks and open space present one example. The seven-county region contains 181,000 acres of parkland, or 10% of total land area. While the land area of core cities Minneapolis and Saint Paul includes 14-17% park space, the metro figure is only slightly above an average of comparable metro areas. Land preservation has not kept pace with growth of developed land area, threatening a key element of what makes the Minneapolis Saint Paul region desirable to individuals and the firms they operate.

Amenities such as parks and open space, arts and attractive neighborhoods are expected attributes of metro areas truly competing for talent. Preservation and maintenance of quality of life represent important roles for continued regional collaboration.

#### Strategies to Enhance Regional Concentrations

##### *Regional Competitiveness Project's Cluster Boards Initiative*

Based on research described above, the Regional Competitiveness Project is moving forward with implementation of an initiative to facilitate contact and resource sharing among entrepreneurs and business, education organizations, trade groups, cities, and state government by organizing a shared space for exchange. The premise of these spaces, or cluster boards, is to provide stronger links between individual clusters and funding and workforce resources on which they particularly rely. Advocacy on multiple other fronts

including policy and regulatory change is also planned as part of implementation of stronger networks developed via cluster boards.

*Itasca Project Business Bridge*

The Itasca Project, an influential collaboration of 30 corporate leaders in the region, is moving forward with creation of a Business Bridge to stimulate direct connections between Fortune 500 firms headquartered in the region, and small and medium-sized vendors also located here. Regionally, an opportunity exists to create benefits both for buyers and sellers of products and services by enhancing their connections within the region. As buyers, corporations and other businesses in the region stand to benefit from aggressive pricing and a competitive advantage in awareness of companies suitable for potential acquisition. For sellers, contracts with larger corporate buyers strengthen predictability of cash flow, and enhance their hand in negotiations with lenders.

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