Is the New Economy Passing Us By?
How Communities Like Salisbury Are Gaining Traction

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Four Themes:

• Are Urban Centers Winning?
• What do We Mean by “The New Economy”
• New Economic Development Game: The Battle For Talent
• Thoughts on Salisbury / Lower Eastern Shore
Are Urban Centers Winning?

• Conventional wisdom – large cities and mega-regions are primary drivers of economic growth and innovation
• Airports, labor markets, concentration of hospitals, schools, cultural amenities and specific industrial expertise
• These assets are the primary drivers to attract talent and businesses
• Urban thought leaders – monopoly on how we think about the New Economy
Are Urban Centers Winning?

- Urban Centers are Winning
  - Urban driven thought leadership doesn’t reflect reality
  - New research from Milken, Forbes, McKinsey, Brookings...
- Critical to understand what’s really happening
  - Drives strategy for small cities/regions
Are Urban Centers Winning?

• Urban Centers lag in job creation to small cities
  – McKinsey Global Study:
    • This decentralization is a global phenomenon
    • Megacities will dominate the urban future – “common misconception”
    • Smaller cities will constitute well over ½ of the world’s urban growth
    • U.S. home to almost ½ of the world’s 600 “middleweight” cities
    • 257 US cities generate over 70% of our GDP
  – Critical to understand why small cities matter
Are Urban Centers Winning?

• Recent trends suggest
• When it comes to growth – economic and demographic
• “Opportunity is increasingly found in smaller, and often remote, places”
  - Milken
Are Urban Centers Winning?

• Rather than “smart growth” and intense densification
  – Fastest growing metropolitan areas – even the large ones are dominated by
    • Suburban style, detached single family homes
    • Lives dependent on cars
Are Urban Centers Winning?

• Mundane drivers of growth for small cities
  – Keys lie in factors such as
    • Strong community associations like churches
    • Shorter commutes
    • Reasonable housing prices
    • Great schools (Great Plains)
    • Access to natural amenities
Are Urban Centers Winning?

• Complex drivers of growth for small cities at top of charts:
  – Bismark ND / Midland TX – oil boom
  – Glen Falls NY – low cost back office services
  – Columbia MO – college town
  – Columbus IN, Williamsport PA – legacy manufacturing
• But their past doesn’t tell the story of their future...
Are Urban Centers Winning?

• Trends benefiting Small Cities:
  – Broadband levels the playing field
  – Boomers and their offspring – Millennials – less dense and often rural areas
  – Businesses
    • Less expensive space
    • Competition for talent easier – demographics (relocation and growth)
    • trending the right way
    • Small city welcome mat
Are Urban Centers Winning?

- Sobering Economic Realities for many Small Cities
  - High unemployment
  - Declining / aging population base
  - High poverty rates
  - Lower median income
Are Urban Centers Winning?

• Old Assets, New Economy
  – Outdated infrastructure
  – Dependence on traditional industry
  – Inability to retain human capital
  – Declining competitiveness within region
  – Weakened civic infrastructure
  – Limited access to resources
Are Urban Centers Winning?

• How does Salisbury measure?
  – Milken Institute – Best Performing Cities
    • Outcome measured – objective
    • (not subjective, variably measured inputs – quality of life, crime, etc.)
      – Job growth
      – Wage growth
      – GDP growth
Are Urban Centers Winning?

• Salisbury – middle of the pack
  – 116\textsuperscript{th} of 180 best performing small cities (December, 2013)
    • Down from 82\textsuperscript{nd} (December, 2012)
  – 125\textsuperscript{th} of 250 in job growth (New Geography 2012)
Are Urban Centers Winning?

Take Aways:
• Can’t be fatalistic
  – Game hardly over for small cities
  – Future not being won by mega-regions
  – Reality: small cities compete with each other
• More confusing than ever to figure out how to compete
  – What are we competing for?
  – Who is our competition?
  – How do you win?
• Small cities – like Salisbury – are growing, healthy and vibrant places
What do We Mean by “The New Economy”

• Critical to understand
  – What you’re competing for
  – Who you’re competing with
What do We Mean by “The New Economy”

• New paradigm:
  – Every company is a tech company
  – Every company is a knowledge driven company
  – Workforces are mobile and independent
  – Businesses are virtual, collaborative and organic
What do We Mean by “The New Economy”

• Not every city has a culture of innovation
  – Communities with focus on technology and innovation / above average entrepreneurism experience greater job growth
What do We Mean by “The New Economy”

- Innovation as a driver of growth
  - Brookings Institution study (May 2014) – Innovation Districts
  - “remarkable shift is occurring in the spatial geography of innovation”
- Moving past research parks, incubators...
  - Beyond siloed and competitive behaviors
  - Not about revitalization
- Not attempting to explain new Innovation District trend...
What do We Mean by “The New Economy”

• Important to understand what redefining innovation means
  – “New Geography of Innovation”
  – Immense potential for small cities
What do We Mean by “The New Economy”

• Creating an Innovation Ecosystem
  – “… the ultimate mash up of entrepreneurs and educational institutions, start-ups and schools, mixed-use development…”
  • Brookings
What do We Mean by “The New Economy”

• Align economic, physical and networking assets
• Foster collaborative behaviors, “knowledge spillovers”
• “create new products, technologies and market solutions through convergence of disparate sectors and specializations”
• Requires a fundamentally different approach / thinking
What do We Mean by “The New Economy”

• Real power of Innovation Districts
  – Enables cities to advance core assets beyond the limitations of existing industries

• Not about competing for hot new industry sectors (think: cyber)
  – But about rethinking and repositioning the assets you have...
What do We Mean by “The New Economy”

- Leading small cities let innovation reinvent their traditional industries
- Remember these cities – Lead the Rankings because
  - Bismark ND / Midland TX – from extraction to energy technologies
  - Glen Falls NY – from back office to business services
  - Columbia MO – from college town to high tech products and services
  - Columbus IN, Williamsport PA – reinventing manufacturing
What do We Mean by “The New Economy”

• Take Aways:
  – Compete for industries where your past can become your future
  – Align innovation around traditional industries
  – Obsess over innovation and strive to create an environment where innovation thrives
  – Lead with lifestyle – the place to start a career, meet someone, build a life, have fun
  – Experience has to match message
New Economic Development Game: The Battle For Talent

- Knowledge based economy
  - Not about tax credits, capital improvements, fixed costs
- Companies simply grow where the talent is
  - Expansion by contraction / stasis
- Don’t have to relocate, simply grow elsewhere
New Economic Development Game: The Battle For Talent

• Profound shift in thinking / approach
• From attracting / retaining businesses
• To attracting / retaining talent
New Economic Development Game: The Battle For Talent

• Different assets are important
  – Not bricks and mortar but quality of life

• Economic development approach is different
  – Marketing to the workforce not the employer

• Messaging is profoundly different
New Economic Development Game: The Battle For Talent

• Traditional focus of relocation / business attraction vs. talent...
  – As focus shifts to knowledge-driven economy, people matter more
    • Companies grow where the talent is and wants to live
  – Reluctance to embrace shift in economic development strategy
New Economic Development Game: The Battle For Talent

• Marketing a city is profoundly different than under the old economic development model

• Millennials want smaller cities
  – New opportunities to sink roots, start businesses and families, own a home, create a life
  – They’re looking for a story that resonates with how they see their future
New Economic Development Game: The Battle For Talent

• Take Aways:
  – It’s about the talent – period
  – Know thyself
    • Small cities don’t appeal to every person or business
    • Resist the temptation to try to attract what isn’t interested
  – The Culture Gap: The fact you don’t “get it” doesn’t mean it isn’t important
    • Growing community dynamism is welcomed
    • Embrace your creative class / “non-traditional” cultural community
Thoughts on Salisbury / Lower Eastern Shore

• Play to your assets; not someone else’s
  – Often the hardest challenge
  – Requires willingness to give up on what you’re not;
  – Embrace what you are / can be
Thoughts on Salisbury / Lower Eastern Shore

• Understanding the potential of clusters
  – Competitive advantage
    • Locating near competitors, those in related fields

• When competitors, talent, supporting industries, suppliers and customers are proximate
  – Companies and regions grow and innovate
Thoughts on Salisbury / Lower Eastern Shore

• Drivers of healthy clusters are “complex and idiosyncratic”
• Government can over-engineer
  – Balance between providing resources vs. directing policies
• Politicians play a role
  – But the communities with the most successful track records
    • Have the business community, nonprofit/faith community and colleges unified behind a common strategy
Thoughts on Salisbury / Lower Eastern Shore

• Potential Clusters...
  – From Perdue comes
    • Renewable fuels
    • Phosphorus applications
  – From Watermen comes aquaculture
  – From Manufacturing comes
    • Advanced welding
    • Additive manufacturing (3D printing)
Thoughts on Salisbury / Lower Eastern Shore

• Great assets
  – Peninsula Regional Medical Center
  – Education / training resources
    • Wor-Wic education and training strategy
    • Salisbury University / Perdue School
    • University of Maryland Eastern Shore
Thoughts on Salisbury / Lower Eastern Shore

• Supporting / fostering innovation
  – Perdue School of Business Gull Cage
  – Salisbury incubator – Launch SBY
  – Greyshore – targeting / utilizing skills of retiring Boomers
Thoughts on Salisbury / Lower Eastern Shore

• Thought Leadership
  – BEACON (Business, Economic and Community Outreach Network – Salisbury University’s Perdue School of Business)
  – Much of the Hard Work is Done
    • Consensus on what’s important
    • Key stakeholders involved
Thoughts on Salisbury / Lower Eastern Shore

- Moving Wicomico Forward (2014) Vision Committee Action Steps (Economic Development objectives)
  - Marketing a unified message
  - Enhancing quality of life
  - Importance of airport and rail
  - Stakeholder collaboration
  - Develop a more robust economic development construct
  - Workforce development
  - Tourism
Thoughts on Salisbury / Lower Eastern Shore

• Tri-County Council Comprehensive Economic Development Strategy (June, 2014) - some goals of note
  – First Goal: Sustain and Diversify the Economy
    • Short term goals:
      – Expand tourism
      – Engage universities in regional economic development
      – Provide comprehensive space for workforce training and business development needs
      – Foreign Trade Zone designation
      – Carry out an industry sector analysis to determine action items, including business incubation projects
    • Long term goal:
      – Develop targeted marketing effort to brand and sell region to new businesses and entrepreneurs
Thoughts on Salisbury / Lower Eastern Shore

• Tri-County Council Comprehensive Economic Development Strategy (June, 2014)
  – Second Goal:
    • Improve workforce training and skills
      – Web based feedback loop on employer workforce needs
  – Third Goal:
    • Expand information infrastructure
Thoughts on Salisbury / Lower Eastern Shore

• Your playbooks are fine (they’re also the same as other cities)
• You win in the Red Zone
• What Small Cities are doing in the Red Zone
  – Be honest about the assets you have (and don’t have)
  – Focus on industries where you can compete tomorrow not yesterday
  – Ensure leading broadband strategies
  – Create capacity and environments to innovate
  – Align education / workforce training with high growth / high potential industries
  – Compete on quality of assets not lower costs
  – 100 Best Communities for Young People (6th year 2012)
Thoughts on Salisbury / Lower Eastern Shore

• Research what comparable communities are doing
  – Figure out what’s important to measure
  – Find successful small cities to benchmark
  – Join peer resource and research groups on best practices
  – Understand successful use of space and place
  – Clustering / agglomeration economies
  – Focus on trajectory not rank
Thoughts on Salisbury / Lower Eastern Shore

• Understand and align with state opportunities
  – TEDCO’s TCF and RBI funding
  – Incubator funding
  – 3D printing / additive manufacturing
  – Immigration as an asset – diversity as a strength
In Closing

• Urban Centers are not Winning
• The New Economy Isn’t Passing Us By (unless we let it)
• The New Economy is about Innovation
  – And for small cities, about Reinventing the Past
• New Economic Development Game is a Battle For Talent
• Salisbury has Potential for Great Traction
• Your Future is controlled by...
Questions / Comments...

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