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Executive Summary

The role of economic development organizations (EDOs) becomes more complex and challenging with each passing year. Budgets keep getting tighter; industry needs continually change; and global economic, social and environmental factors bring new levels of complexity to the job – but the need for EDOs to continue delivering results remains.

This paper, developed under the guidance of IEDC’s Economic Development Research Partners program, aims to define the characteristics of high performing EDOs by identifying success factors from both organizational and leadership perspectives.

First, it is important to understand what we mean by the term “high-performing EDO.” Such an organization fulfills its mission by following internal best practices, but it accomplishes more than that. It builds relationships and community capacity to foster broad prosperity, and it embodies adaptability, responsiveness and integrity. It sees – and sometimes makes – new opportunities. It employs its capacities and resources to the fullest, sets its goals high, and works diligently to attain them.

The research found that organizationally, high-performing EDOs tend to share eight success factors. These organizations:

Are driven by their customer. With so many stakeholders impacted by and engaged in the work of an EDO, it can be challenging to

determine who “the customer” is – yet this step is critical to designing effective programs and services and to developing organizational capacity.

Operate with a strong strategic plan. A strong strategic plan is grounded in the realities of the community, what it can achieve and where it wants to be several years down the line. High-performing EDOs also are flexible and adaptable, however – they know when it’s appropriate to deviate from those well-made plans.

Measure results and adjust accordingly. High-performing EDOs constantly evaluate their work to determine if objectives are being met, stay accountable, detect problems before they escalate, and seek new ways to improve.

Are creative risk-takers. EDOs must be entrepreneurial and innovative to understand and address the challenges of globalization, economic downturns, climate change, and industry shifts. Though EDOs must deliver results and be held accountable, sometimes they need the freedom to be creative in order to deliver at a higher level.

Build strong alliances and networks. High-performing EDOs not only create opportunities for economic development alliances and networks to flourish, they also institutionalize them. This ability to convene, connect and collaborate enhances the coordination of economic development efforts, increases capacity, and improves credibility.

Earn the trust and respect of their communities.

The strongest EDOs do this by consistently delivering results; focusing on customers; engaging in effective, open communication; building lasting partnerships and acknowledging the contributions of partners; and upholding high standards of integrity, trust and honesty.

Are efficient with funding and resources. In many cases, high-performing EDOs are working to decrease their reliance on public-sector funding and to diversify their funding streams by charging for some services or looking to non-traditional sources for funding. Beyond financial resources, high-performing EDOs also use their staff wisely and focus their resources where they will have the most impact.

Invest in their people. High-performing EDOs invest in the development and well-being of their employees. Most organizations offer professional development through training programs and networking opportunities, but most high-performing EDOs also practice “people development” – i.e., nurturing their potential to perform better in the future.

In addition to identifying organizational success factors, the research explores essential qualities of effective economic development leaders.

High-performing EDOs have passionate, innovative and capable leadership. They care deeply about what they do, motivate their staff and partners, think creatively, and effectively carry through on their commitments.

Leaders of high-performing EDOs are strategic thinkers and operators. Effective leaders anticipate opportunities and prepare for them; create opportunities by thinking innovatively; and transform challenges into opportunities.

Great leaders are highly effective communicators. The ability to communicate well distinguishes leaders of high-performing EDOs from their competitors. They are able to distill and convey complex ideas; use different communication styles to meet the needs of different audiences; are active listeners; and maintain open lines of communication.

Leaders of high-performing EDOs embrace change as a baseline for success. High-performing EDOs are adaptable and have staff and leadership that embrace change, rather than fear it, and seek to find new opportunities in it.

High-performing EDOs form great teams to carry out the work. Developing a talented staff and providing them with meaningful roles gives them a stake in the organization’s mission and success, resulting in a dedicated team that is stronger than the sum of its parts.

Leaders of high-performing EDOs are ethical and represent community interests. Ethical behavior is modeled at the top and supported with policies and resources that enable employees and peers to make ethical decisions. These organizations never lose sight of their responsibility to serve the greater good of the community.

The prevailing theme of this research is that organizations and leaders must be adaptable to changing circumstances. It is imperative for EDOs to nurture their capacity and skills in responding to change and become effective change agents as a result. It is our hope that

this paper provides readers with a framework for improving both the effectiveness of their organizations and their personal leadership skills, furthering the creation of jobs and wealth for communities everywhere.

Introduction

As the economic development profession evolves and matures, complex organizational structures develop to meet the myriad needs at local and regional levels. Careful monitoring of the performance and management of economic development organizations (EDOs) becomes paramount to the long term viability of these organizations and the profession as a whole. Invariably, and to some extent unfortunately, a number of EDOs glean knowledge solely from business best practices to improve efficiency and management. Although management literature addresses business management theories and strategies that have survived the test of time and location, such wisdom is less likely to focus on the public and non-profit sectors. Given the unique role that EDOs play in improving the competitiveness of their communities, straddling the public, private and non-profit sectors, private sector best practices would have a limited effect on improving EDO efficiency and management or may not fully address all the dynamics associated with EDO performance. To fill this gap, this paper outlines management and leadership practices that can help improve EDO performance.

The need for such examination becomes acute given the new realities in which we operate, including but not limited to an environment of fiscal austerity; new and emerging industries with varied needs; ever-complex and global economic, social and political interconnectedness; and the pressure to perform more efficiently with increasingly

limited and competitive resources. EDOs face the dual challenges of growing more proficient in their internal management while expanding the economic and social impact of their programs throughout their community. Understanding the factors that contribute to the evolution of EDOs into mature high-performing organizations is the first step in helping EDOs meet these challenges.

Developed under the guidance of the Economic Development Research Partners (EDRP) program of the International Economic Development Council (IEDC), the main objective of this paper is to discuss and develop a framework for defining the characteristics of high-performing EDOs, both from organizational as well as individual leadership perspectives. The concept for the topic evolved from discussions at a retreat of EDRP members at the Edward Lowe Foundation in July 2010. Beyond supplemental research on organizational and leadership development, the paper also utilizes research and expertise developed through the IEDC's Accredited Economic Development Organization (AEDO) program¹ to provide the many examples highlighted in this paper.

¹ The AEDO program is a means of recognizing the professional excellence of economic development entities. The goals of the AEDO Program are to provide economic development organizations with independent feedback on their operations, structure, and procedures, and recognize excellence in local economic development efforts. To date, more than 30 organizations have gone through the accreditation process. For detailed information, please visit www.iedconline.org.

The paper is divided into six main sections. The first three sections provide background on why it is important for EDOs to assess, monitor, and improve their efficiency and performance and what we mean by high-performing EDOs. Section four is devoted to the discussion of the characteristics of high-performing EDOs from an organizational perspective. Leadership skill sets of individuals that define these organizations and by nature are an integral and driving part of the culture of high performance and achievement are discussed in section five. The last section concludes the paper along with information about additional ways in which IEDC is exploring leadership development to support EDOs in their endeavor for higher performance and management.

New Economic Development Realities

Economic development organizations increasingly operate under much tighter budgets at a time when the need for economic development programming is becoming more crucial to the continued vitality and competitiveness of a community. Job creation through business attraction, retention, entrepreneurship and innovation is critical not only as a way to emerge from the economic downturn but also to maintain the competitiveness of the U.S. in the global business marketplace. This is akin to cutting police department budgets in times of increased crime. Economic development organizations need to demonstrate their value-

add to the community and how they can accomplish their goals while improving internal efficiency and performance.

The practice of economic development is also becoming more diversified and nuanced. It is not sufficient for EDOs to just invest their time and resources in landing the next best deal that creates the maximum number of jobs in their community. From entrepreneurship and quality jobs to innovation and green initiatives, EDOs are introducing targeted economic development strategies to enhance their community's competitiveness. At the same time they need to find new and improved ways of funding these activities. Further, stakeholders and investors expect that all these goals are accomplished while improving internal organizational efficiency and management.

As the economic development industry grows and becomes more professionalized, some EDOs are more successful than others and better able to take advantage of the opportunities around the corner that contribute to growth and wealth creation in their communities. Whether their efforts are exceptions or become the norm, and whether these high-performing EDOs mark the start of a revolution in economic development, however, remains to be seen.

Defining High-Performing EDOs

Distinguishing which characteristics separate high-performing EDOs from the rest of the

pack is clear in some areas and complex in others. For example, metrics such as return on investment, number of goals met, and number of jobs created/retained can be clear measures of how effectively an organization leverages its resources. These are typically measured through regular budgeting and strategic planning processes.

At the other end of the spectrum would be metrics that measure how innovative an EDO is in capturing potential opportunities. These measures can be very challenging and require more nuanced valuation. Determining an effective method to measure the success of organizations that promote job and wealth creation in communities, particularly in an economic and political environment that is marked by volatility, uncertainty and dramatic changes, is challenging. IEDC's AEDO program provides some middle ground in this respect, examining four key areas to assess the performance level of applicant organizations:

- Does the organization have professional leadership and staffing adequate to its mission?
- Does the organization have the budget and resources adequate to do its job?
- Does the organization have the respect and support of a community base with active commitment and participation appropriate to its mission?
- Does the organization have a strategic plan that it follows, allocating resources based on its mission and the opportunities that it has identified?

An even more holistic, yet broad measure, to distinguish high-performing EDOs from the rest of the pack comes from Jim Collins' *Good to Great and the Social Sectors*: **"How effectively [does the organization] deliver on the mission and make a distinctive impact, relative to its resources?"**² Using Collins' definition to shed light on high-performing EDO's, fulfillment of the organizational mission serves as a baseline, and building off of that would be the ability to make a visible positive change for the long-term prosperity of all in the community, contribute to wealth creation on various levels, and enhance the quality of place. High-performing EDOs strive to accomplish this with limited resources and in the wake of constantly changing economic, technological and social forces.

The next section of this paper tries to dissect the success factors of strong EDOs into tangible, measurable indicators of performance.

Success Factors of High-Performing EDOs

All economic development organizations perform a balancing act, serving in a variety of capacities depending upon the needs of the community. Most EDOs can claim the following as hallmarks of high performance: an engaged leadership, a strong economic development strategy, talented staff, measurable goals and

² Jim Collins, *Good to Great and the Social Sectors* (New York: Harper Collins), 5.

associated benchmarks, and a communications/marketing strategy. However, the nuances of practice differentiate high-performing EDOs from others and enhance their ability to achieve the economic development mission, goals and objectives of the community. These are further elaborated below.

Success Factors of High-Performing EDOs

- Are driven by their customer
- Operate with a strong strategic plan / living document
- Measure results and adjust accordingly
- Showcase adaptability / entrepreneurship / risk taking
- Build strong alliance and networks
- Earn the trust and respect of their communities
- Efficient with funding and resources
- Invest in their people

High-Performing EDOs are Driven by their Customer

Within the economic development context, the conversation needs to start by asking the question, **who is the customer?** A wide variety of stakeholders are impacted by and engaged in the work of an EDO in any given community. Residents, businesses, elected officials and board members, volunteers, partners and investors influence economic development policies and programs in myriad

ways. Determining who “the customer” is can be a challenging proposition. Renowned management thinker and writer, Peter Drucker, notes that non-profit organizations need to ask, “Who must be satisfied for the organization to achieve results? When you answer this question, you define your customer as one who values your service, who wants what you offer, who feels it’s important to them.”³ He further explains the need to define primary and supporting customers and devising appropriate strategies/plans in order to produce results for each of these groups.

EDOs, like many non-profit organizations, need to define primary customers and supporting customers. Primary customers typically are the businesses and residents that directly benefit from supportive economic development policies and programs. Supporting customers are volunteers, board members, partners, investors and myriad other stakeholders that also need to be satisfied in order for the EDO to continue to operate efficiently and effectively but may not be the direct recipients or beneficiaries of EDO programs and policies.

Identifying customers and understanding what they need and value is a precursor to developing and implementing strong strategic initiatives. High-performing EDOs put into practice means to solicit input and feedback from primary and supporting customers through surveys, special events as well as

³ Peter F. Drucker, *The Drucker Foundation Self-Assessment Tool: Participant Workbook*. (San Francisco: Jossey-Bass, 1999), SAT2, pp. 22-24.

formal and informal communication channels. Regular interaction with customers not only provides valuable information when designing new programs and initiatives to build a better understanding of their needs, but also a feedback loop on performance of programs and initiatives.

Understanding the needs of customers translates not only into design of better programs of services, but also into developing the organizational capacity to change course when the needs of the customers change. For example, Ponca City Development Authority (PCDA), the economic development agency for Ponca City, Oklahoma, was set up when the merger of their biggest employer with an out-of-town company led to dramatic job losses in the community. The need to reorganize economic development priorities was quickly evident. Not only was the PCDA established, but also new ways to spur economic growth through strong business retention and entrepreneurship programs were instituted and have proven successful.

High-Performing EDOs Operate with a Strong Strategic Plan

A lot of time and effort can go into developing vision, goals and strategic plans, but just having an economic development strategic plan is not sufficient. Instead a strong strategic plan is grounded in the realities of the community, what it can achieve and where it wants to be several years down the line will launch the community on a path to success in the short term and beyond. For example, the

Greater Houston Partnership's (GHP) Future's Task Force looks well beyond the ten year time frame to identify critical public policy direction that will ensure Houston's vitality in the near and long term. GHP is actively engaged in forecasting trends related to renewable energy, technological and demographic changes, and ensures that Houston is prepared for growth well into the future.

Furthermore, what differentiates high-performing EDOs from the rest is their ability to identify the appropriate time to deviate from those well made plans. This is where working with the board of directors or council becomes critical. The board should be entrepreneurial in its behavior and be prepared to lead the organization in new directions when new circumstances arise. In 2005, the Jefferson Parish Economic Development Council (JEDCO) had worked hard to complete its new strategic plan. Within months of its completion, hurricane Katrina hit the New Orleans region and the parish found itself going into emergency response mode for the immediate aftermath. Despite the fact that a great deal of time and resources had gone into developing the strategic plan, the parish was faced with a "new normal" following the hurricane and decided to redevelop the plan in the wake of this change. Even in the absence of a major disaster the strategic plan needs to be a *living document* that is regularly updated to sync with the realities on the ground.

The current recovery from the global economic downturn has created an environment where EDOs are operating within the constraints of

several unknowns: are we in a deep cyclical phenomenon or is it a structural shift, a “new normal” that can have far reaching impacts on the practice of economic development. Strategic planning under these circumstances must examine these variable, but likely, conditions. Continued flexibility and adaptability to emerging situations will be necessary in order for communities to emerge as successful from this storm.

High-Performing EDOs Measure their Results and Adjust Accordingly

High-performing EDO's don't purely rely on past successes but are constantly evaluating their work and finding new and improved ways to charge an improved pathway of economic development. Evaluating results will help determine if objectives are being met, keep EDOs accountable, and detect problems before they escalate. The process also gives an EDO the flexibility to change its objectives if the current objectives are determined to be unrealistic or impractical under emerging circumstances.

EDOs evaluate their services according to somewhat uniform outcomes, but in different ways depending on the mission and structure of the particular EDO. Typical economic development metrics look at quantitative results such as number of jobs created, return on investment, and vacancy absorption rates. Although these measures hold a great deal of validity, it's important to note that one or a few measures should not be used to measure

all elements of economic development, nor should they replace the possibility of more nuanced or qualitative measures where necessary. Rather, multiple metrics should be used to measure a variety of outcomes and truly reflect the initiative or program's success.

Angelou Economics utilizes the “SMART” approach to performance measures, as first developed by George T. Doran⁴:

- **Specific** - Establishing some pie-in-the-sky, lofty measurement that sounds good but is not specific is not going to give you the credibility you need, or help your program accomplish its goals. Performance measurements need to be as specific as possible so that people investing in economic development efforts know how those efforts are going to be measured.
- **Measurable** - There's an old saying, “If you don't know where you're going, any road will get you there.” A performance measurement is only useful if you can actually measure it, either by quantifying it with specific numbers, or verifying through qualitative means that the goal has been accomplished.
- **Achievable** – Make sure that your performance measures can actually be accomplished. Setting a goal that is impossible to achieve will only cause

⁴ Angelou Economics.

http://www.angeloueconomics.com/measuring_ed.html
and Doran, G. T., “There's a S.M.A.R.T. way to write management's goals and objectives,” *Management Review*, Volume 70, Issue 11 (AMA FORUM, 1981), pp. 35-36.

frustration. It's all right, however, to set ambitious goals that stretch your organization. Everyone needs to reach a little beyond their grasp.

- **Relevant** – Performance measurements need to be relevant to your organization's mission and your program's strategic objectives.
- **Time-based** – Make sure that performance measures are achieved within a specific period.

For example, Fond Du Lac Economic Development Corporation went through a process to identify how it could contribute to raising per capita income and earnings per worker within the community. It took advantage of a local revolving loan fund to set an hourly wage goal for businesses that utilize the fund. Additionally, it examined other state or local programs to ensure that program design within this area will be complementary with existing programs. Another example, the St. Louis County Economic Council (SLCEC), with a staff of over 40 employees, offers multiple services and thus has developed scorecards for every department within the organization with goals and metrics that are specific to the goals of each program. At the same time, the board of directors is kept abreast on the performance of the organization through a dashboard report that provides information on some of the major metrics captured in the scorecards.

Despite the value of performance tracking to high-performing EDOs, most organizations do not recognize the tool as important; EDOs

ranked it the lowest across management tools in both the 2009 and 2006 *Benchmarking Excellence Among Accredited Economic Development Organizations* study by Georgia Tech's Enterprise Innovation Institute and IEDC.⁵ This disconnect highlights the need for educating EDOs on the nuances of measuring the results of their work.

⁵ The *Benchmarking Excellence Among Accredited Economic Development Organizations* study by Georgia Tech's Enterprise Innovation Institute and IEDC surveys 17 AEDO organizations on multiple quality management areas. This initiative has informed other EDOs on what it takes to be a high-performance organization in economic development, as well as identified opportunities for continual improvement. It has provided a set of often-cited benchmarks. The first survey was conducted in 2006, followed by an update in 2009.

Need for New and Improved Metrics

There is an emerging school of thought within economic development practitioners that new and improved metrics are necessary to accurately measure and report the impact and outcomes of economic development initiatives. The pressures on economic development organizations to deliver results in resource constrained environments further highlights the need for measuring and communicating what EDOs do and how. Metrics like total job creation are being adjusted in many communities to include number of quality jobs created that pay above area median wages and benefits. Return on investment (ROI) measures are being broadened to report on innovation, entrepreneurship, and ability to attract venture capital investment. However, further research needs to be conducted and new metrics widely marketed for widespread adoption of improved metrics throughout the profession.

Rick Weddle, President & CEO of Research Triangle Foundation, provides some examples of improved metrics that are very closely tied to the goals and outcomes that EDOs are typically trying to achieve.

Economic Development Performance Metrics		
Metrics	Key Questions to Consider	Type of Measure
<i>Achieving Impact</i> <ul style="list-style-type: none"> • Targeted Program Goals • Strengthening ED Partners • Improving Competitiveness • Leveraging other Efforts 	Have we succeeded at meeting program goals? Are we improving community effectiveness? Have we directly advanced the field by influencing public policy makers, stakeholders and allies? Are we achieving sufficient leverage in efforts?	Effectiveness – Impact Effectiveness Effectiveness Effectiveness
<i>Setting the Agenda</i> <ul style="list-style-type: none"> • Focus Areas • Goals • Approach 	Have we identified the correct program areas? Do we have achievable and measurable goals? Have we selected the correct approach?	Progress Progress Progress
<i>Managing Operations</i> <ul style="list-style-type: none"> • Staff Recruitment / Retention • Consistency with Objectives • Resource Development • Cash Reserve Targets 	Is our staff satisfied, qualified and high-performing? Have we adhered to our articulating strategy? Have we generated revenues to meet our budget? Are we maintaining sufficient cash reserves?	Progress – Effectiveness Progress Effectiveness Impact

Source: Rick Weddle, Research Triangle Foundation

When developing performance metrics, it is important to differentiate between those factors that are within the span on control of the EDO versus those that are beyond its sphere of influence. Only metrics that can be controlled by the EDO can be truly reflective of the performance of the organization. Results from the measurement can, in return, be utilized to affect the organization's future performance as well.

Any performance tracking and benchmarking system is incomplete and ineffective without a strong communication component. Effective and open communication is necessary to not only relay results and impacts of various economic development programs and strategies, but also to develop and sustain strong relationships among stakeholders and investors. Electronic and social media is increasingly being utilized to supplement print media for communicating to a wide variety of stakeholders and investors, both internally as well as externally.

High-Performing EDOs are Creative Risk Takers

Changing external forces demand that high-performing EDOs become entrepreneurial and innovative in order to better understand and address the challenges of globalization, a slump economy, climate change, and changing economic sectors. Being entrepreneurial and innovative includes an appetite for risk, recognizing that not all experiments can be successful. Simultaneously, it is necessary to build capacity to handle difficult situations. For

example, with the growing trend of an increased international business presence, the Muncie-Delaware County Economic Development Alliance (EDA) decided to adapt their programs to embrace this change rather than to avoid it. As such it undertook numerous international trips and conferences to continue to develop relationships with international companies that complement the county's economic development skills and sectors. Additionally, the county is part of a regional economic development area that allows a foreign investor to get elevated status for a green card if they meet certain investment and job creation metrics through locating a company in the designated area.

However, it appears that Muncie-Delaware County EDC is an exception rather than the norm, leaving much to be desired on this front from a national perspective. In the EI²/IEDC AEDO Benchmarking Survey, responding AEDOs ranked the "board's toleration of mistakes when trying new ideas" the lowest among all responses in the leadership category in 2009. Undeniably, it is important that EDOs deliver results and be held accountable; however, it is equally important to have the freedom to be creative in order to deliver at a higher level of performance.

High-performing EDOs Build Strong Alliances and Networks

Although concern over competition may have stifled economic development networks in the past, they are increasingly seen as critical to economic development success. High

Performing EDOs not only create opportunities for economic development alliances and networks to flourish and grow but they also institutionalize them. In the AEDO benchmarking survey discussed above, partnerships and relationships management was the second-highest-rated among the 10 areas of quality management in 2009 and a top-three rated area in the 2006 survey. The finding reflects the benefits EDOs receive from participation in networks. According to IEDC's *Managing Economic Development Organizations* manual, these include:

- More coordinated economic development initiatives;
- Broader, more efficient and effective service delivery framework with less overlap of services;
- Forums for resource sharing, including ideas, information on new programs, approaches, marketing materials, and financial and human resources;
- Forums for discussing economic development issues;
- Economic development advocacy;
- More credibility and acceptance among the local business sector from unified efforts;
- Enhanced capacity to coordinate public and private agency activities to improve marketability of the city, county, or region to site selectors and corporate executives;
- Improved ability to advise public agencies on budget issues, and solicit funding from public agencies; and

- Strengthened ability of EDOs to leverage the financial resources necessary to carry out projects.

Strong alliances and networks are formed of a diversity of stakeholders. Many EDOs are developing innovative ways of leveraging private, foundation and public resources to finance economic development projects. Faith-based organizations and non-profits aligning with economic development goals are also emerging as non-traditional partners with EDOs.

Some of the benefits of engaging diverse stakeholders include the following:

- Fosters stronger and more diverse outcomes (more actors involved);
- Leverages the expertise and insights from a broader spectrum of people.
- Fosters social, institutional, and economic stability by giving people an investment in local outcomes;
- Fosters more ardent involvement in sustainable development and, by extension, people's own social, economic, and political futures;
- Provides information on the strengths, weaknesses and economic opportunities of the local economy;
- Brings increased resources to implement the EDO's strategy; and
- Builds capacity, skills and knowledge.

EDOs have the ability to kick start, strengthen and broaden alliances and networks within their jurisdictions and beyond. It is driven by

their ability to convene, connect and collaborate effectively across myriad stakeholders, investors and resources.

- **Convener:** Operating in a more complex, globalized world, EDOs need to develop the ability to bring together a diverse mix of stakeholders from time to time based on the needs of the project, program or strategy. This includes initiating projects and partnerships that serve the community interests. Acting in the community's best interest and often times removed from the politics, EDOs have the unique ability to convene public and private stakeholders and act as the objective liaison between myriad players.
- **Connector:** EDOs operate in resource-constrained environments and need to develop the ability to identify new resources, including funding, staff, volunteers, partners, etc. It may require identifying and structuring unique relationships to leverage and maximize scarce resources in all their forms.
- **Collaborator:** Establishing and nurturing strategic partnerships with local and regional players allows EDOs to deliver results under difficult and complex circumstances. Nontraditional stakeholders such as community colleges, universities, etc. are becoming more engaged in economic development strategic planning and delivery mechanisms. EDOs can enhance their

impact by collaborating with such partners.

An EDO's ability to convene, connect and collaborate is paramount to establishing and growing networks across an entire economic development region. However, it does not mean "being everything to everyone" but rather have a strategic approach to collaborating with essential partners that can assist in accomplishing targeted programmatic areas. For example, PCDA (of Ponca City, OK) partners very closely with local workforce development players, especially community colleges, in meeting their strategic goals of fostering an economic environment that supports entrepreneurship, high-skill high-wage jobs, and development of a workforce that attracts and supports continued economic prosperity locally and regionally. These partnerships have worked successfully to attract the desired quality jobs to the community and establishing Ponca City as a community that welcomes and assists entrepreneurs, further strengthening their economic development strategy.

Networks and alliances can be established and strengthened through relatively simple means, such as:

- Regularly scheduled local or regional events for stakeholders to come together.
- Overlapping board members and committee participants amongst various organizations. In Fond Du Lac, Wisconsin, for example, the EDC has put together a highly effective board through tapping

not just local stakeholders with the most important titles, but a mix of stakeholders from various local institutions that have capacity, resources, and provide the best leadership possible.

- Even simple logistical changes such as co-locating office space. As an example of logistical changes, the city government and county offices in Muncie-Delaware County, Indiana, are housed within the same office building enabling both arms of government to cut down on travel time and costs, and work more effectively as a team, especially on matters of economic development.

High-Performing EDOs Earn the Trust and Respect of their Communities

Strong EDOs are often trusted and respected organizations in their communities. They typically earn and build the respect in the community through:

- Consistent delivery of results;
- A customer and market focus supported by a service-orientation;
- Effective and open communication with stakeholders and investors;
- Building lasting partnerships in the community that improve efficiency and effectiveness of economic development programs and services;
- Acknowledging the contributions of all involved parties as part of their economic development success; and

- Upholding the highest standards of integrity, trust and honesty while delivering high performance results.

In order for EDOs to portray these characteristics, one of the foremost requirements is to align with the local business and community's culture. This means not only having a clear understanding of the needs and opportunities of the local stakeholders but also serving as a champion for them and working to create a supportive environment that fosters innovation, creativity and growth for all.

Another important medium for building and growing trust and respect is creating awareness of the EDO's work and educating local stakeholders on economic development initiatives by reaching out to a diversity of groups and networks through in-person meetings, newsletters, annual reports, and social media. The Sacramento Area Commerce and Trade Organization (SACTO) uses Twitter to distribute news related to economic development throughout the region. Their following has grown to the extent that local reporters are using it to garner information on economic development transactions and events. The organization, in addition to a plethora of other outreach tools, also sends out postcards with little known facts about the region to develop a greater understanding of its clean and green economic development potential.

High-Performing EDOs are Efficient with their Funding and Resources

In light of the global economic downturn, EDOs are more intently looking at the importance of having a diversity of funding mechanisms. As public budgets shrink, EDOs are adjusting to becoming more self-sufficient and less reliant on the public sector for economic development funding. For example, some EDOs are diversifying their funding streams through charging small fees for services that it offered, such as entrepreneurship programs. The fee can be low enough that it does not prohibit many potential entrepreneurs from utilizing the service, but high enough to offset the cost of staff time. This enables organizations to recover some of their costs for programs, while not sacrificing the services they were providing. Such organizations also usually ensure that there are alternative services available for those who cannot afford the fees.

This thread of creativity and thinking outside of the box can serve EDOs well in developing new funding streams from unconventional sources. SLCEC, for example, funds more than 50 percent of their budget through fees, interest, property rental, property sales, private contracts, and federal and state grants. A project example of this was in the development of the River City Casino in Lemay, Missouri on which SLCEC served as the lead project manager. Not only did the project provide economic benefits to the local economy, but the St. Louis County also decided to direct some of the revenues from the casino

to create and fund the county's life sciences and biotechnology funding mechanism, known as the Helix Fund.

While IEDC's most recent (2010) salary survey does not show major statistical differences in EDO funding mechanisms over the past four years, there have been slight increases in programmatic areas. Notably, small business development and entrepreneurship programs showed an overall seven percent increase, whereas other program areas showed much smaller percentages of change. The change within this programmatic area most heavily occurred in small- to medium-sized communities as opposed to large metropolitan areas, suggesting that smaller communities have been seeing the development of small businesses and entrepreneurs as increasingly critical to their economic development efforts.

Tightening funds don't just mean that dollars are scarcer, but non-financial resources are as well. Staff becomes crucial to fulfilling the mission of the organization. Some organizations, such as the Hutto Economic Development Corporation (EDC), Texas, serve smaller communities and thus only have a few people on staff. This has meant that staff is trained in multiple roles that advance the organization's mission. Further, its staff has become more and more creative about when and how they are utilizing resources. Leadership must also ensure that the organization is making the most impact where possible rather than trying to be all things to all people. High-performing EDOs build upon what they already have rather than trying to

reinvent the wheel. They take inventory of current programs, policies and initiatives already in place of which they can build off, such as local burgeoning sectors, untapped skill sets, and underutilized institutions. This is not to say that new paths should not be pursued; rather, existing paths should not be ignored if they hold promise.

High-Performing EDOs Invest in their People

High-performing EDOs appropriately invest in the development and well-being of their employees. Research shows that worker productivity directly correlates to happiness in the workplace. Shawn Achor in his work, *The Happiness Work Ethic*, notes, “Even the smallest moments of positivity in the workplace can enhance efficiency, motivation, and creativity”.⁶ Research also shows that encouragement from managers has a strong correlation to employee engagement and project performance.⁷ In an increasingly competitive global business environment, engaged and productive workers can help an organization achieve its mission and enhance performance results over time.

⁶ Shawn Achor, “The Happiness Work Ethic”, *The Daily Blog of 800-CEO-READ* 78 (January 19, 2011), accessed February 18, 2011, <http://changethis.com/issue/show/78>.

⁷ Margaret H Greenberg and Dana Arakawa, *Optimistic Managers & Their Influence on Productivity & Employee Engagement in a Technology Organization* (University of Pennsylvania, 2006), accessed February 18, 2011, http://repository.upenn.edu/cgi/viewcontent.cgi?article=1003&context=mapp_capstone.

Myriad variables account for determining a positive work environment. Specifically in relation to development of worker productivity, most organizations offer professional development through training programs and networking opportunities. But in order to truly reflect the *value* of the employee to the performance and success of an organization, most high-performing EDOs demonstrate “people development” skills, i.e. supporting employees not only based on what they can do well today, but nurturing their potential to perform better in the future. Below are some ways to accomplish that:

- **Recognition and Encouragement** – High-performing employees should be recognized for their contributions first within the organization. Board of directors, elected officials and other outside stakeholders can further validate the value of the employee’s work. Additionally, recognition of high performance acts as encouragement and motivation for the employees to continue to perform and hone their skills.
- **Designation** – Higher performers in the organization are typically given more responsibility. Working at a higher level of responsibility should be reflected in the designation of the employee, even if it may not be feasible to monetarily compensate for the employee’s work in the short term. This becomes especially true in times of financial austerity and restricted budgets.

- **Compensation** – Ultimately, it is important to appropriately compensate employees for their hard work. Again, although restricted budgets in the national economic downturn may limit the capability of many organizations to provide pay raises and performance bonuses, additional incentives and perks such as flex time, time off for family events, telecommuting and contributions to pension funds can enable employees to understand that they are valued by their organization and encourage them to stay committed to the mission and vision of their employer.

Highly productive workers are also more motivated and willing to take on additional responsibilities in order to make their organizations high performers.

Leadership Skill Sets

The success of any organization is closely tied to the individuals that make up that organization. High-performing EDOs can only be as successful as its leaders, staff and volunteers make it. It is therefore imperative to examine the leadership skill sets of the individuals that work at successful EDOs and how organizations can garner such individuals to improve performance and ensure long-term success for the organization and the community that it serves.

While many of essential qualities of a leader have been discussed as success factors of high-performing EDOs in the earlier part of this

Essential Qualities of Leaders

- Passion for the cause;
- Willingness to embrace change;
- Appetite for innovation;
- Strategic thinking;
- Highly effective communication;
- Ability to attract, retain, and develop high-performing staff and volunteers; and
- Ethical behavior

paper, it is important to note that these are qualities of both the organization as well as the individuals of which the organization is composed. It is when leaders of high-performing EDOs imbibe and promote these qualities that they become a part of the culture of the organization itself and perpetuate throughout all levels of management and staff.

Before discussing each of these in more detail, it is important to take note of a trend in business as well as economic development organizations to target celebrity leaders. Meaning choosing leaders solely based on the weight of their name/brand. This is especially true in situations where organizations seek a silver bullet strategy to address systemic challenges to economic growth. The risk here is that although name recognition may bring greater attention to the organization and/or community, it may also forgo other potential leaders with capabilities greater than celebrity leadership, and ultimately, adversely impact the ability of the EDO and the

community to truly prosper and achieve maximum potential. Choice of individuals in key leadership positions should be based on core competencies and how these competencies fit the EDO's needs rather than celebrity status.

High-performing EDOs have Passionate, Innovative and Capable Leadership

While it's difficult to quantify or even qualify what exact mix of characteristics leaders of high-performing EDOs share, three things that often emerge are passion, innovation and capability. In his book, *Good to Great*, Collins studies the qualities of highly successful (and unsuccessful) firms over time. His research outlines specific characteristics of highly successful firms and their leaders, dividing individual leadership into five levels, with level five being the highest: ⁸

- **Highly capable individual:** Makes productive contributions through talent, knowledge, skills, and good work habits.
- **Contributing team member:** Contributes individual capabilities to the achievement of group objectives and works effectively with others in a group setting.
- **Competent manager:** Organizes people and resources toward the effective and efficient pursuit of predetermined objectives.

- **Effective leader:** Catalyzes commitment to and vigorous pursuit of a clear and compelling vision, stimulating higher performance standards.
- **Executive:** Builds enduring greatness through a paradoxical blend of personal humility and professional will.

Collins continues to explain that the most effective leaders, level 5, share the following traits:⁹

- They forgo the immediate needs of their ego and work diligently to setup their successors for greater success in the future.
- They are modest and are willing to attribute success to factors other than themselves, but are willing to take the fall when something goes wrong.
- They are hard workers and are driven to complete whatever work is needed to keep the organization growing and at the top of its game.
- They are "rigorous not ruthless" in managing their staff.

Qualities like a strong work ethic, the ability to develop a shared vision, and acting as a collaborator are reflected in the abilities of the leader to effectively launch the organization on the pathway to greatness. These qualities are elaborated upon below.

Creating a strong work ethic. Given that economic development organizations operate

⁸ Jim Collins, *Good to Great* (New York: Harper Collins, 2001), 20.

in the public realm (whether public, private or public-private partnership), leaders of high-performing EDOs inculcate a strong and professional work ethic within the organization that often becomes an example of professional integrity throughout the community. Strong leaders understand and demonstrate the fundamentals of highly ethical behavior by doing the following:

- Clearly establishing organizational values and ensuring these values are based on the EDO doing its best and doing what's right in serving those it serves. This can be achieved through a mission or vision statement that spells the values cherished by the organization;
- Integrating the values into operations and provide support systems for upholding them;
- Promoting them through effective communication with the members, outside stakeholders, media and general public;
- Connecting them with policies, decision making processes, and program delivery; and
- Taking accountability for all results, including those which do not succeed in meeting the EDO's values.

Developing a shared vision. Leaders of high-performing EDOs are able to set in motion the process of developing a vision that provides a foundation upon which all of the organization's economic development activities are based. Particularly for smaller communities or distressed areas, the visioning process can

focus the resources and efforts of the organization in the most effective and efficient manner, uniting an entire community around shared values that stakeholders believe are worthwhile and important. These values influence our individual thinking and actions. By creating a vision, the EDO implies that a choice is made among these different values. The main goal is to create a shared vision among all the stakeholders. A shared vision is the first step in bringing stakeholders with different objectives together under one effort. A shared vision is, therefore, a call for action, not just an idea.

Serving as a convener, connector and collaborator. Capabilities to harness resources by bringing the best possible stakeholders and tools to the organization are critical to any successful EDO. Leaders of high-performing EDOs act as a liaison between public and private players, connecting resources throughout the community. Great EDO leaders are collaborators by building a strong team and forging strategic partnerships. Further, they increase the capacity for people, businesses and institutions to engage in economic development by bringing all of the right pieces to the table. Such leaders are referred to as "super connectors" in Malcolm Gladwell's *The Tipping Point*. Super connectors excel at studying trends and delivering timely and relevant messages that stick. They not only know various people within different circles, but they are masters at connecting people and ideas to achieve results.

Leaders of High-Performing EDOs are Strategic Thinkers and Operators

Strategic thinking is a fundamental success factor for leaders of high-performing EDOs. In conversations with leaders of several AEDOs, we find that there are three essential components of strategic thinking that apply to leadership.

- **To not only see the opportunities on the horizon, but to anticipate them in advance and prepare for them.** In a fast paced business environment, the ability to assess opportunities before they present themselves can set an organization on the pathway to success. Therefore, leaders need to not only keep themselves abreast of emerging trends, but be one step ahead of interpreting small opportunities and challenges that have the potential to grow into something much larger.
- **Create opportunities where they don't exist through creative and out-of-the-box thinking.** Economic development organizations often initiate projects and policies in their communities. Leaders of high-performing EDOs reflect those ideals not only in dealing with external stakeholders and the community at large, but also in leading their organization through various challenges.
- **Transform challenges into opportunities.** Leadership success lies in viewing what is oftentimes hidden interconnectedness and bringing it to the

forefront in order to take maximum advantage of the opportunity. All of this involves looking beyond day-to-day minutia of one's work and keeping an open vision for the future.

Great Leaders are Highly Effective Communicators

Communication skills are paramount to the success of individuals and organizations alike. Timely, open and effective communication between engaged stakeholders at all levels builds cooperation, increased problem-solving capabilities, and enhanced productivity.

Although it is an important skill for all levels of employees, communication skills at the top are essential to the success of the EDO. Given the balancing act that economic development professionals need to maintain between public, private and non-profit sectors, as well as with businesses and residents, the ability to communicate well distinguishes leaders of high-performing EDOs from their competitors.

Traits of a good communicator are:

- Ability to distill and convey complex ideas thoughtfully to clients and stakeholders, both internal and external;
- Recognizing that not all people learn or interpret information in the same way;
- Using different communication styles to meet the varying needs of different audiences;
- Understanding that communication is a two-way process; active listening is as

important, if not more, for impactful delivery of the message; and

- Maintaining open lines of communication that encourages people to provide positive as well as negative feedback.

Utilizing key communication skills, leaders of high-performing EDOs not only create value for their organization but for the community at large. The ability of an organization to implement its vision is, in part, dependent on effective communication to various stakeholders and gaining their buy-in.

Leaders of High-Performing EDOs Embrace Change as a Baseline for Success

According to Drucker in *Management Challenges for the 21st Century*, change serves as the new normal and “survival of the fittest” means that organizations must themselves be leaders of change.¹⁰ This demands that leaders of successful EDOs not only seek out and embrace change, but find ways to make such change effective. Drucker’s synopsis of being a change leader gives further weight to the theme already mentioned throughout this paper, adaptability. High-performing EDOs are adaptable by definition and have staff and leadership that embrace change rather than fear it. They are cognizant of shifting realities stemming from the tides of change and are willing to confront those shifts, no matter how difficult they maybe. They drive

excellent outcomes through a series of good decisions based on awareness of changing elements. Further, their ability to face shifting tides and react appropriately to them drives their credibility and trust within the community; also a theme discussed earlier in this paper.

Newton, Iowa faced the challenge of losing its major employer in the wake of corporate restructuring, and the leadership of the Newton Development Corporation acted expeditiously to put together a plan that would ensure job retention in the community. They embraced the changing local scenario of Maytag’s departure and worked diligently with their partners to mitigate the negative impacts on the community. Leadership at Ponca City Development Authority (PCDA) adopted a similar strategy after the closure of its major employer in town and has proved to emerge stronger and better prepared to address local and regional challenges than in the past.

¹⁰ Peter F. Drucker, *Management Challenges for the 21st Century* (New York: Harper Business, 1999), 71.

Facing Change in Newton, Iowa

On May 10, 2006, the Whirlpool Corporation, the new owner of Maytag Corporation, announced that it would close the Maytag corporate headquarters and production facilities in Newton. In this town of 15,500, nearly 13 percent, or 1,900 people, worked at Maytag. At its height in the 1990s, Maytag had 3,900 employees. The loss of Maytag prompted a dramatic rise in unemployment and the fear of perpetual underemployment in Newton.

Before Maytag closed, Newton's economic development approach centered on making periodic, usually property-based transactions using a standard set of tools, such as development assistance, tax abatements, assistance with state loans and grants, and local revolving loan funds. When Maytag closed, Newton was forced to move beyond these tools to find new strategies that would achieve both short-term reemployment goals and long-term economic resiliency.

Newton was able to take these insights and apply them early in its recovery. Only a few days after the closure announcement, the offices for the Newton Development Corporation, Iowa Workforce Development, and the Career Transition Center co-located in a building adjacent to the Maytag headquarters and the local campus of the Des Moines Area Community College. This co-location led to a stronger partnership that permitted companies approaching the Maytag facility to speak directly with Maytag employees, and in some cases hand out job applications on site.

Source: IEDC. *Creating Quality Jobs*. 2009.

High-Performing EDO's Form Great Teams to Carry out the Work

Great leadership at the top isn't the only requirement for developing a high-performing EDO. Indeed, there are many cases of great organizations with great leaders, but when the great leader goes away the organization dwindles. The key, according to Collins, is to build organizations that are sustainable through multiple generations of leaders. Succession planning is critical. Therefore, developing a strong support staff and encouraging them to play meaningful roles in whatever tasks and projects the organization is taking on is of critical importance to the long-

term sustainability of any high-performing EDO. When the organization has a talented staff with a stake in fulfilling the mission of the organization, the result is a dedicated team that strengthens the overall quality of the organization.

Collins' research found that the most successful businesses find the right people for the team *first* and then figure out the direction they want to take the organization. Further, the best management teams have a spirit of collaboration, even debate at times, yet they also are willing to unify behind final decisions. These teams are composed of disciplined yet innovative staff with the knowledge and

experience needed to get the job done. Clear lines of responsibility set the expectations for the work to be done, but also present is a certain sense of freedom that allows for innovation in completing those responsibilities or even taking them to new heights. Collins notes that the right team will be self-motivated, but the key is not to de-motivate them by ignoring shifting realities.¹¹

Professional development and training play a large role in ensuring that economic developers are aware of trends, tools, and techniques in order to effectively carry out their jobs. These management capacities provide the means to developing and retaining qualified and capable staff on board, yet when funding diminishes training is often the first area to be cut from the budget. High-performing EDOs see the value in critical training areas and work diligently to preserve funding to keep their staff up to speed with the latest skills and professional accreditations of their particular professional area, whether it is in accounting, law, marketing, or economic development. Internal cross fertilization of ideas, meet and greet with businesses, and on the job training are some examples of training opportunities for continuous improvement and skills among staff and leaders, especially within resource constrained environments.

Leaders of High-Performing EDO's are Ethical and Represent Community Interests

Ethical behavior needs to be promoted from the top and supported with policies and adequate resources that enable employees and peers to make ethical decisions. Organizational leadership needs to be a model of ethical decision making in order to reinforce the importance of ethical behavior throughout the organization. They need to lead by example. An established code of ethics, education and training, and a defined process for reviewing violations are all tools that help support an ethical culture in an organization. Fortunately, IEDC has adopted a code of ethics which could serve as a template for any EDO.

The EDOs primary responsibility is to serve the community interest, which includes public, private, not-for-profit, social and material interests at the same time. Engaging the community through continuous and open debate is a way of ensuring success down the line. Representing the overall community interest can build a stronger relationship that connects people, information and ideas for effective action. This relationship will enable EDOs to work in new ways that increase impact and foster success.

¹¹ Jim Collins, *Good to Great* (New York: Harper Collins, 2001), 89.

Conclusion

The practice of economic development has changed dramatically since its inception in the mid-twentieth century. As a field that grew out of industrial development as the primary tool to create jobs, economic development is challenged to remake itself in the face of fundamental changes in the economy, technology, workforce and global markets. The economic development profession has one of the most profound impacts on human life and highly effective EDOs can help author those impacts.

This paper goes beyond setting out a definition of high-performing EDOs. Rather, it examines these organizations and identifies critical factors that more often than not make the high-performing EDO successful. Certainly, one prevailing theme emerges and that is a high-performing EDO must have the ability to adapt well to changing circumstances. Whether it's responding to budget cuts in the wake of the global economic downturn, changing labor patterns from globalization, or unexpected forces from a natural disaster, the most effective organizations have the ability to view these shifts as opportunities. To this end, when strong internal leadership and expertise simultaneously transpire with the development of successful organizational policies and economic development programs, an innovative and adaptive organization is the outcome and everyone served by the EDO benefits. The multiple organizational examples from AEDOs and their programs demonstrate how to transfer these ideals into actions.

The integration of leadership at all levels of the organization is essential to clearly focus on the goal of building resilient local economies. High-performing EDOs employ their capacities and resources to the fullest, setting goals high and striving to attain them. While the need to innovatively adapt and build on existing assets is not a new lesson, this paper drives home how important this is for EDOs to become highly effective in what they do.

Looking Ahead

IEDC is engaged in extensive exploration and analysis of attributes and characteristics of leadership within economic development that are beyond the realm of this document. With support from the EDRP program and the IEDC Board of Directors, the analysis will result in leadership competency models with the purpose of assessing and managing talent at all levels of the EDO. This is but one way of recognizing the tools that are available (and being developed) for leaders of economic development organizations that strive to improve their performance.

Appendix: Recommended Additional Reading

Below is a list of reading materials that have informed the development of this paper as well as others that leaders of AEDOs and EDRP members have found useful in their advancement as leaders and distinguished careers as heads of high performing EDOs. We hope that you will find them to be useful to your professional development too.

1. *Developing the Leaders Around You: How to Help Others Reach Their Full Potential* by John C. Maxwell
2. *Emotional Intelligence* by Daniel Goldman
3. *Fierce Leadership: A Bold Alternative to the Worst “Best” Practices of Business Today* by Susan Scott
4. *Getting to Yes: Negotiating Agreement Without Giving In* by Roger Fisher, William Ury and Bruce Patton
5. *Good to Great: Why Some Companies Make the Leap...and Others Don't* by Jim Collins
6. *Heroic Leadership: Best Practices from a 450-year-old Company that Changed the World* by Chris Lowney
7. *How the Mighty Fall: And Why some Companies Never Give In* by Jim Collins
8. *In Search of Excellence: Lessons from America's Best-Run Companies* by Thomas J. Peters and Robert H. Waterman, Jr.
9. *Leading at a Higher Level* by Ken Blanchard
10. *Management Challenges in the 21st Century* by Peter F. Drucker
11. *Multipreneuring* by Tom Gorman
12. *Servant Leadership* by Robert K. Greenleaf
13. *The Effective Executive: The Definitive Guide to Getting the Right Things Done* by Peter F. Drucker
14. *The Five Most Important Questions You Will Ever Ask About Your Organization* by Peter F. Drucker with Jim Collins, Philip Kotler, James Kouzes, Judith Rodin, V. Kasturi Rangan, and Frances Hesselbein
15. *The Servant: A Simple Story about the True Essence of Leadership* by James Hunter
16. *The Tipping Point: How Little Things Can Make a Big Difference* by Malcolm Gladwell
17. *The 21 Irrefutable Laws of Leadership: Follow Them and People Will Follow You* by John C. Maxwell
18. *The 360 Degree Leader: Developing Your Influence from Anywhere in the Organization* by John C. Maxwell