



Employer Recruitment, Retention & Expansion

Advance Team Theater Profile

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Developing a comprehensive picture of the job creation apparatus of a region begins with understanding the spectrum of program approaches available and the different roles they play in causing the creation of new economic base jobs. The primary objective of this exercise is to develop clarity and consensus around the ambitions, capacity gaps and legislative initiatives for each major program theater engaged in creating economic base jobs.

Economic base program theaters are distinguished by the mix of economic sectors they focus on, the program approaches they use, the organizations and the professionals that manage them and the metrics used to measure them.

The primary economic base job creation theaters include;

1. Start up or Innovation to Enterprise
2. Solo work
3. Retirement
4. Visitor Driven
5. Employer recruiting, retention and expansion
6. Federal Government
7. Film and Digital Media
8. Agriculture
9. Energy and Extractives
10. Import substitution

This briefing paper is the result of an Advance Team dry run of the Theater Profile Canvas Process and is intended to help accelerate deliberations of the Jobs Council deliberative session.

THEATER OVERVIEW: EMPLOYER RECRUITMENT, RETENTION & EXPANSION

1. Theater Definition

How is the employer recruitment, retention and expansion theater of economic base job creation defined?

The Employer Recruitment, Retention & Expansion (ERR&E) theater is focused on procuring economic base jobs by attracting new companies and helping existing companies survive and grow. Jobs in this theater take place in commercial office and industrial facilities, and the employees are hired as W2 employees or contracted as 1099 employees.

Note that for Jobs Council deliberations, this theater does not include federal government economic base activity, startups, solo workers (with the exception of employers hiring and managing people who work independently, such as customer service workers), retirement strategies, tourism, or the energy and extractive industries. A possible exception is the conversion of non-economic base employees to economic base employees.

Synonyms: Corporate and industrial development, economic development, business development, industry recruiting, business attraction, business retention and expansion, investment attraction, industrial site selection, corporate location, industry cluster development.

Definition of a Transaction

How is an economic base job creation transaction defined for this theater?

A transaction occurs when a new economic base employer signs a deal to set up an operation in the state as a result of a program or organization. Economic base employers that stay in the state or expand as a direct result of a program or organization are also counted. Economic base employers are private sector enterprises that have multiple full-time employees and derive more than 51% of their operating revenues from sources outside the state. This includes local companies selling goods and services out of state as well as operations in which salaries are paid by an external source.

Program Approaches

What are the different ways that programs in this theater procure or preserve economic base jobs?

1. Recruiting

- Attracting new employers from out of state.
- Preventing existing economic base employers from downsizing, going out of business or leaving

2. Business Retention and Expansion

- Finding and helping existing economic base employers to expand and hire more people.

Key Metrics

What metrics should be used to measure the production and return on investment of procuring programs in the theater?

- Total number of cases in the pipeline over time.
- Marketing effort contacts/relationships maintained per lead generated.
- Marketing cost per lead.
- Conversion rate? 50 leads to develop one deal.
- Maximum professional sales caseload? 20-30
- Transactions closed? _____ Jobs to be created? _____
- Longitudinal accounting per transaction
- Attribution accounting

Attributes and Insights

What important attributes, distinctions and insights are important to understanding the nature and capacity of this theater?

Advantages

- Unlike some other theaters where jobs are created one at a time, job creation transactions in this theater result in jobs being created by tens, hundreds or thousands.
- Unlike some other theaters like film and tourism where the projects and visitor campaigns must overcome near 100% attrition every year, transactions in this theater and the associated jobs usually last for many years, even decades.

- Economic development programs are well established and the process supported by public and private sectors.

Disadvantages

- There are fewer large footloose economic base job transactions every year to go after than before.
- Competition for economic base job transactions continues to increase resulting in rising closing costs - incentives and concessions.
- Fewer companies agree to relocate or implement major expansions without incentives.
- The life cycle of economic base employers is being shortened by global competition and technological and business model innovation.
- Advances in automation and artificial intelligence are allowing economic base employers to eliminate jobs.
- Over the last two decades financial support for marketing, sales and completion for traditional economic development programs has fallen, and New Mexico has fewer professional economic developers in the field than decades past.
- There is no current system for measuring the performance or return on investment of the employer RR&E Theater at state or local level.

2. Players/Procuring Agents

What organizations and institutions are formally missioned, funded and staffed to create economic base jobs in this theater?

Some portion of the job creation needed to reach full employment over the next ten years will need to be procured by state and local program efforts in this theater. This implies that properly missioned, funded and professionally run program efforts will be required to manage the research, marketing, site selection, deal structuring, completion services and capacity building. These services are traditionally funded and managed through a combination of state, regional and local public-economic development organizations (EDOs).

- State Economic Development Department
- New Mexico Economic Development Partnership
- Economic developers and their organizations (See the Players Matrix in the appendix for a comprehensive list)

Constituents/Factor of Production Allies

Which organizations and institutions play a supporting role and are considered constituents for creating jobs in this theater?

- Elected officials: Governor, mayors, legislators, city councilors
- State government regulatory and compliance professionals
- Local government regulatory and compliance professionals
- Commercial real estate brokers and developers
- Banks, bond counsel, accounting firms
- Architecture, engineering and construction firms
- Universities and community colleges

3. Economic Sectors

Which economic base sectors are the primary focus of this theater?

Back Office:

Exported Services:

Integrated IT & Cyber:

Manufacturing:

Extractives and Energy:

Agriculture:

4. Jobs/Goals

How many new (gross) economic base jobs are estimated to be created in each sector?

The following jobs figures represent the current aggregate of estimates made by each county and region of the state for the period beginning 2014 and ending in 2015.

Back Office:	13,893 Jobs
Exported Services:	9,968 Jobs
Integrated IT & Cyber:	6,120 Jobs
Manufacturing:	13,828 Jobs
Extractives and Energy:	11,687 Jobs
<u>Agriculture:</u>	<u>4,729 Jobs</u>
Total	60,225 Jobs

5. Program Reliant

How many of the jobs in these sectors are to be directly caused or procured by the organizations specifically missioned, funded and staffed to generate economic base transactions in this theater?

How many are expected to be generated organically?

- How many jobs _____ and transactions _____ are being procured per year by today's program efforts?
- How many jobs _____ and transactions _____ could be procured per year by 2024?
- This theater's program efforts will procure a minimum of _____ economic base jobs and _____ transactions over the next ten years.
- A minimum of _____% of total economic base jobs in each economic sector are to be procured by programs in this theater.

Put another way, what percentage of the estimated economic base jobs needed in each sector will be under management and produced directly by program efforts? These are transactions and jobs that would *not* happen “but for” the specific program effort.

The balance of the jobs and transactions that would be expected to happen unaided or assisted by the theater's procuring programs.

FACTORS OF PRODUCTION

What factor of production gaps must be cured if the economic base jobs in this theater are to be created?

6. Marketing and Sales

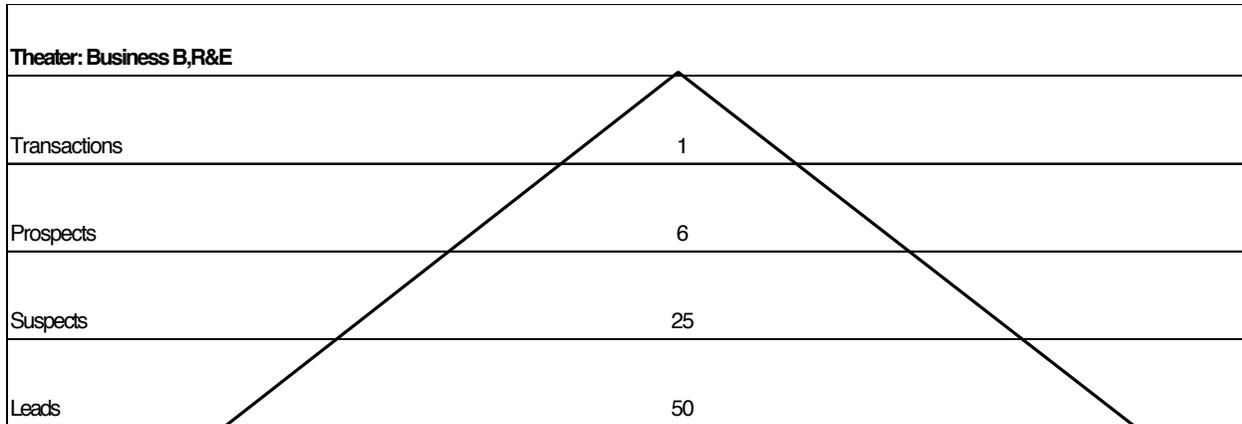
Is the marketing, sales and completion apparatus in place and at scale to generate the necessary interest, manage the pipeline of interest, and complete transactions?

What is the current gap and how will it need to scale over the next decade to meet the ten year transaction goals for this theater?

Both recruiting and local business retention and expansion program efforts are conducted using similar operational frameworks for the sales process and tracking production.

1. **Research:** Develop market research and value proposition. This includes selection of target markets, analysis of competitive advantage, database development and program planning.

2. **Marketing:** Generate and qualify sales leads. This is even more important currently, given the dramatically smaller pool of employers considering expansion and the increasing competition from other communities. Lead generation for recruiting usually involves a mix of approaches including; collaboration with state and regional marketing allies, building relationships with national site-selection consultants and regional commercial real estate brokers and developers, direct corporate management relationship campaigns, website content driven social media campaigns, referral networking and working trade shows. For local retention and expansion programs leads are generated by systematically visiting the community's current economic base employers.
3. **Sales:** After a qualified lead has been generated, a economic development professional begins managing the site selection process. Responsibilities include deal structuring and relationship building between client and community team members. The process has four levels:
 - **Deal:** The final decision is made to locate. Contracts are executed, site development is completed, the project is in design, financial deal structure is finalized and closed, regulatory approvals are in hand, ground is broken and the project has being announced.
 - **Prospect:** The company has made one or more site visits. A detailed formal proposal has been made to the employer. Credit analysis is underway and the deal structure and incentives are being negotiated. The community and site or facility is short listed.
 - **Suspect:** The employer has a site selection process underway for a project with a general profile of what kind of real estate, workforce, tax climate etc. driving the site selection process. A preliminary proposal has been made. The employer has yet to narrow it list of potential sites or it has but the decision commit is contingent on a contract or other factor. is narrowing list of possible sites. Make a preliminary proposal. Timing under 2 years
 - **Lead:** The sales team receives an inquiry or lead from one of the marketing program sources. A sales professional interviews and researches the potential employer to qualify that they are a viable company and that they are a viable enterprise, with a project in mind for some time in the future and that they have a minimum level of interest in the community.
4. **Completion;** At some point during the prospect phase of the sales cycle and after the transaction is signed there are long list of local, state and sometimes federal regulatory functions that must be fulfilled. These include many deal structuring, permits, governing body approvals and functions and compliance involved. In small communities with occasional deal flow the same person may be responsible for the marketing, sales and completion in addition to the curing the major factors of production. In places where more than one transaction per year is expected these duties are divided among specialists.



The sales process can be visualized as a pyramid with a broad base of leads at the bottom, completed deals at the top and the intermediate suspect and prospect steps in between.

Programs that run both recruiting and retention and expansion under one program should track the process on the same tracking framework.

Retention and expansion program developers survey as many economic base companies within the community as possible. Use the data collected to:

- forecast possible growth or contraction,
- analyze the strengths and weaknesses of the community
- receive feedback on workforce development
- aid in new business recruitment efforts by identifying vendor-supplier connections
- provide timely assistance if required
- develop a business plan for future operations and
- compare current data to historical benchmarks.

Gaps:

- A rigorous accountability system must accompany the effort in order to attract and sustain the increased investment levels and policy support as well as order the planning needed to build enough capacity to meet the state job creation goal. The current lack of a metrics and accountability system hurts the credibility of job creation efforts and ultimately limits the ability of the state and local communities to adequately fund program efforts and the factor of production gaps.

- The state and most of its communities lack the marketing budget and program apparatus to generate enough leads to fill a sales pipeline with enough potential projects to make the ten year job goals.
- The state and most of its communities lack the professional staffing to manage the sales caseload needed to close anywhere near enough transactions to meet the ten year job creation goals of the state.

Solutions:

- A comprehensive accountability system must be developed to track the theater's program operations, job creation performance and return on investment. This system must measure sales pipeline capacity, budget allocation, factor of production gaps, and the funding received for each individual organization. Such a system would be set up to populate the Player Matrix Report (see appendix).
- The state should reinstate the coop advertising program as a match for local funding focused exclusively on lead generation.
- The state should fund a matching fund program that was passed and signed into law in 2014, but never funded. The fund should be scaled to create 30 new economic development sales staff positions over the next three years at an average loaded cost of \$120,000 per position. Local communities would raise a public private local match. The program should be initially funded to support a minimum of three years of matching funds. The state appropriation should be about \$2 million.

7. Real Estate, Infrastructure and Capital

Does the region have the land, buildings, infrastructure, utility capacity and capital resources to fulfill the transactions envisioned for the theater over the next ten years?

Gaps:

- Most places in the state lack the real estate assets required to fulfill the economic base transactions contemplated for full employment in 10 years. Upwards of 40% of potential deals are lost for lack of an existing building. Where office and industrial real estate assets *are* present in the community, those assets are rarely modern enough, in the right location, under local control or priced for an economic development project.
- Many suitable facilities are converted to local government use or non-economic base commercial use before they can be marketed to a replacement economic base employer.
- It's cheaper to build in Texas because subcontractors operate under the general contractor's license and don't need a separate license.

Solutions:

- A time based property tax abatement could serve to make real estate more affordable.
- Rural communities with local LEDA ordinances need more freedom to use their local funding for such needs as broadband, housing and retail.
- The communities that are constrained by lack of industrial real estate assets need to assess the specific gaps for each impacted target industry in their economic growth strategy and design a solution before there is anything to bring to legislation. Legislation should request details from each community on what buildings and land are needed and where and how this will impact their economy.
- Amend local LEDA to allow more freedom for local economic development to use their own funding on infrastructure.

8. Workforce, Housing and Community Quality

Does the region have the qualified workforce, workforce housing and community quality necessary to grow, attract and retain the workers needed over the next ten years?

Gaps:

- There is a shortage of housing in the Southeast region of the state. Workers are commuting from Texas and from neighboring communities rather than setting up permanent residence. Past patterns show that houses are occupied as fast as they can be built.

Solutions:

- Ask the governor to focus the state's housing and finance authorities on the design of a program solution.
- Rural communities with local LEDA ordinances need more freedom to use their local funding for such needs as broadband, housing and retail.
- Set up a licensing agreement allowing Texas contractors to operate in the communities most affected by the lack of housing.

9. Leadership, Organization and Business Climate

Does the region have the leadership, organizational assets, planning and the business climate needed to compete for the theater's targets?

Gaps:

- Counties and communities across the state lack comprehensive strategies for growing their respective economic bases over time.
- Most also lack actionable, measureable plans for the theaters they are focused on.
- Incumbent business and community leaders are unable to devote enough time, energy and priority to long range planning.
- Employment numbers are inaccessible, which inhibits effective accounting.

Solutions:

- A long range state-wide assessment and planning process should be pursued.
- A comprehensive, state-wide, multi-level accountability system must be developed to track the theater's program operations, job creation performance and return on investment. Otherwise, the scale increases in investment and policy support needed over the next ten years will never materialize.