

## A Framework for Action

In April 2001, the Iowa Business Council delivered a white paper entitled *A Case For Change* at its annual partnership dinner. The message was that although Iowa was rich in natural resources, production agriculture, the economic engine that shaped Iowa in the nineteenth and twentieth centuries, has slowed, requiring more diverse business sources if the state's economy is to grow at the same pace as the rest of the country. The paper identified challenges Iowa is facing due to its aging workforce, stagnant population growth, large dependence on government payments, and increasing numbers of Iowa-based companies being sold or merged with out-of-state or international owners.

The Iowa Business Council promised a new, proactive approach to move the state's economy forward. To accomplish this promise, the Iowa Business Council consulted with national experts noted for their work on regional economic development, held discussions with private sector leadership from around the country, conducted interviews with a diverse group of Iowa leaders, and looked at all the options, researched solutions and developed an action plan.

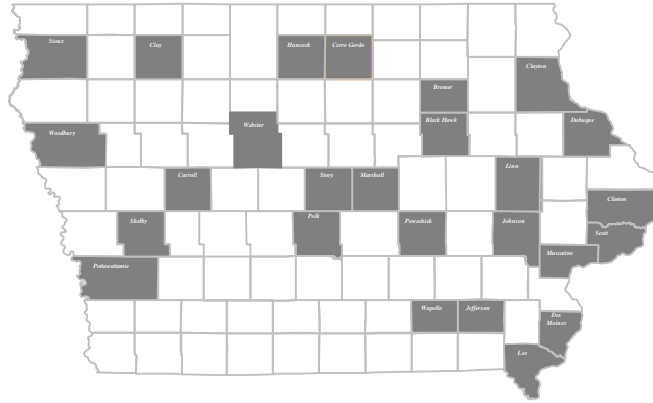
Through this process, the Iowa Business Council learned that success in the twenty-first century requires a new way of thinking about economic development. According to a recently released study by the Council on Competitiveness, *Clusters of Innovation: Regional Foundations of U.S. Competition*, the *value* of goods and services produced and the *prices* they command determine the *standard of living* in a given region. *Prosperity* comes when those high value goods and services are produced using inputs more productively than any other region.

Prosperity relies heavily on the capacity for continuous innovation, which includes all activities from the determination of a need to the commercialization of products, processes and services. Innovation is a driver in every industry. It upgrades the sophistication of competition and future productivity throughout a region's economy, not in just a few "high-tech" industries. In reality, it is not that only high-tech companies hold the key to prosperity

for a region; it is using state-of-the-art technology in existing industries that is the key to increasing productivity and prosperity. According to Harvard Professor Michael Porter, *“There are no ‘low-tech’ industries, only low technology companies that fail to incorporate new ideas and methods in their products and services.”*

The council learned that successful regions build on their comparative strengths creating economies that differ from other regions. They offer comparable advantages to local companies while ensuring that all industries are competitive. *A Case for Change* states that Iowa has identified comparative strengths in the broad sector clusters of *advanced manufacturing, life sciences, and information technology*, in addition to *agriculture*. These broad traded “clusters” are located across the entire state (see page 3) and include companies, suppliers, service providers and supporting entities such as research institutions, trade associations, and higher education including community colleges and university outreach programs. By focusing on these “clusters” of strength, the state need not choose between rural and urban communities. The message is clear that all Iowans benefit, and the rising tide of economic prosperity will raise all ships.

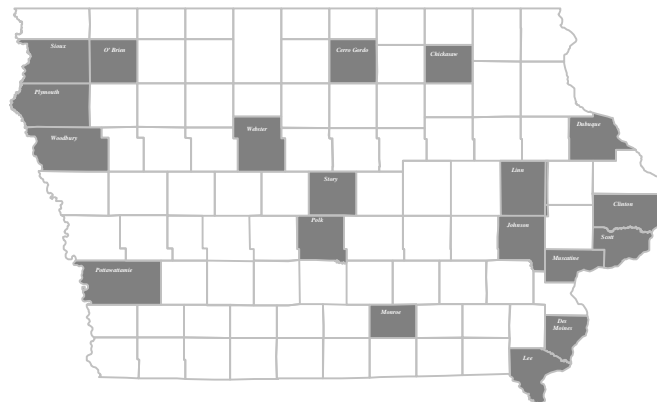
## Information Solutions



## Advanced Manufacturing



## Life Sciences



Why are “clusters” important? According to the Council, strong, competitive clusters are a critical component of a good business environment. They provide the driving force behind regional innovation and rising productivity by:

- 1) Providing ready access to specialized suppliers, skills, information and training.
- 2) Identifying opportunities for new products, new processes, and new businesses.
- 3) Facilitating the commercialization of ideas into new products, new processes, and new businesses.
- 4) Making it easier to establish new businesses because needed inputs are available locally.

Is Iowa ready for the twenty-first century?

The Iowa Business Council thinks Iowa possesses many of the ingredients for prosperity in this new knowledge-based economy:

### ***Iowa's Strengths***

- **Education**

Iowa ranks high in the number of residents who hold a high school diploma. Students consistently score at the top of ACT rankings and other standardized testing.

- **R&D**

Iowa ranks 6<sup>th</sup> in the U.S. in dollars per 100,000 persons its academic institutions receive for research. The University of Iowa ranks 9<sup>th</sup> among all U.S. public medical schools in terms of competitive National Institute of Health funding and 2<sup>nd</sup> among the Big Ten schools.

- **World Class Research**

Iowa State University, the University of Iowa, and other public and private colleges and universities in Iowa contain a wealth of knowledge in many areas of physical, biological, and life sciences, technology and research. Competitive research also exists in food-agriculture-plant sciences, human

genetics, pharmaceutical development, medical imaging, simulation of complex systems, proteomics, engineering and manufacturing sciences for devices and tools.

- **University/Industry Partnerships**

Iowa's universities and industries are willing to work together and have formed many successful long-term partnerships.

- **Number of Patents Produced**

Iowa ranks 24<sup>th</sup> in the U.S. in patents per capita, with a high concentration of patents in the life sciences area.

- **Number of doctoral scientists and engineers**

Iowa has moved from 40 to 16 in percent of the population holding doctoral scientist and engineering degrees. This is a strong indication that Iowa is starting to retain and attract talent for high-tech businesses and its research universities.

However, additional data indicates that Iowa is not reaping the maximum benefits of its strengths.

### ***Iowa's Weaknesses***

- **Venture Capital**

Iowa ranks 46<sup>th</sup> in venture capital raised. Iowa is not competitive in generating initial seed money, mid-stage or late-stage funding for business startups.

- **SBIRs**

Iowa ranks 45<sup>th</sup> in receipt of federal Small Business Innovation Grants (SBIR) for individual research. This resource is virtually untapped in Iowa.

- **Business Startups**

Although there are ample signs of innovation within the university and private sectors, Iowa ranks 48<sup>th</sup> in business starts. Iowa is not benefiting from new businesses, new lines of business, or spin-offs of existing businesses.

According to the Milken Institute, states that are able to convert their research capabilities into commercial products and businesses will rank highest in terms of growth and prosperity. Many high-tech startups are being lured away by out-of-state investors.

- **Higher Education**

Although a very high percentage of our citizens have high school diplomas, Iowa ranks 42<sup>nd</sup> out of 50 states in the percentage of population 25 or older holding a bachelor's degree and 46<sup>th</sup> for those holding an advanced degree. Iowa exports a large percentage of its graduates.

## A Framework for Action

Over the past few years, many groups and organizations such as the Governor's New Economy Council, the Vision 2010 Committee, the SRI analysis, and others have offered numerous good ideas to help Iowa's economy. What has been missing is a mechanism to convert those recommendations to reality—*a framework for action*.

Research indicates that a broad-based collaboration is necessary for economic development strategies to succeed. A diverse group of stakeholders is needed to create the capacity to implement development strategies including:

- Private industry, which provides innovations, jobs and wages.
- Higher education, which provides knowledge, skilled workers, and research.
- Government (including k-12 educators), which provides basic education and physical infrastructure.

Creating such a partnership is difficult because the interests of these diverse groups are not always aligned. However, Iowa is more fortunate than states in other regions of the country. Iowans have a tradition and inherent willingness to work together. Through our interviewing process, it became clear that Iowans are very interested in working collaboratively with others to grow Iowa's economy. Considering the geographic and political diversity of participants in the research process, we were encouraged to learn that Iowans have the will and capacity to overcome the state's current economic problems.

According to Jim Collins in his book *Good to Great*:

*Going from good to great is not based on some wish or desire – it is based on a purposeful effort by leadership to institute priorities, set clear strategic commitments, and define results. It is meeting expectations by looking beyond the current state and encouraging greater innovation, entrepreneurial thinking and a new collaborative mindset.*

## Framework For Change Summit

The Iowa Business Council members realized that to accelerate the process for going from good ideas to great results to support Iowa's economic growth, it was necessary to collaborate with other organizations and institutions. The council believes that the fragmented private sector needed to come together first to begin forming a shared vision for Iowa's future. The council made a commitment to provide the initial leadership necessary to bring about this private sector collaboration.

On December 4, 2001, the Iowa Business Council convened and facilitated an economic summit at the University of Northern Iowa campus in Cedar Falls. Approximately 50 organizations participated as the council reached out beyond its membership to other business sector leaders. Those leaders represent large and small businesses, entrepreneurs, trade associations, higher education and economic developers from small and large towns and cities throughout Iowa. The participants spent a full day reviewing research results and existing recommendations from other groups, which have studied ways to improve Iowa's economy. The summit's primary purpose was to move from ideas to action by prioritizing the myriad of recommendations to a few offering meaningful opportunities to enhance Iowa's economic development. More importantly, they selected ideas to which the participants were willing to devote their time and resources.

## Action “Hot” Teams

By the summit’s conclusion, participants narrowed a list of ideas to four economic initiatives to start with. Summit participants then established action-oriented “hot” teams focusing on the four areas. Those teams defined action steps, metrics, strategic commitments and necessary resources needed for implementation.

Each “hot” team has been working since the summit in December, identifying and adding individuals and institutions, not present at the summit, that are vital for the success of the “hot” teams’ initiatives. The following is a summary of the four initiatives and action steps that each team will be undertaking.

### ***Capital Formation***

**Objective:** To increase the total monetary investment in Iowa companies both in start-up ventures and existing entities.

**Critical Actions:**

1. Support all efforts to increase venture capital funding in Iowa from seed to second and final stage investments.
2. Design a web site that assists in the promotion of Iowa’s entrepreneurs and start-up businesses.
3. Develop a marketing plan, targeting out-of-state investors, to educate them about opportunities.

**Impact:** Capital formation provides the key ingredient for commercialization of Iowa’s universities and private sector intellectual property output and allows Iowa’s entrepreneurs and new business starts to develop and succeed in Iowa. It will provide Iowa’s college graduates with high wage job opportunities

## ***Business Development Processes***

**Objective:** To identify barriers to business development that exist within the state of Iowa. Identify best practices or process improvements that will enhance and improve the identified processes or practices.

**Critical Actions:**

- 1) Adopt a public/private partnership model in Iowa for the delivery of economic development.
- 2) Create a forum wherein larger businesses share best practices with smaller businesses relative to accessing available state and federal grants, funding opportunities, permits and forming partnerships with education.
- 3) Recommend process improvements that would simplify the process of acquiring state grants and permits.

**Impact:** A constant and sustainable focus on removing barriers such as regulatory, operational and mindset will speed the growth process for current businesses and increase the number of business start-ups in Iowa. This will result in additional high wage jobs for Iowa's residents. Individuals from the public and private sectors will join together to actively pursue accomplishment of economic development initiatives on behalf of the state of Iowa.

## ***Life Sciences/Protein Purification***

**Vision:** To make Iowa a national and international leader in the production and purification of high value proteins from animal and plant sources that could then be turned into human pharmaceuticals.

**Critical Actions:**

- 1) Support all efforts to bring the bio facility at Iowa State University into fruition and sustain its activities.

- 2) Inventory current assets (facilitation mechanism).
- 3) Create a forum for universities and businesses in the state to discuss animal genomics within Iowa.
- 4) Stimulate entrepreneurial efforts in the industry.
- 5) Generate support for increased economic development funding.

**Impact:** The base value of Iowa's commodity agriculture can be enhanced to a specialized level and provide rural economic development from farm scale through value adding production refining operations. The human health and medicine market for biotech is at least ten times greater than the worldwide ag market (\$50 to \$60 billion).

## ***Advanced Manufacturing***

**Objective:** Create an environment in which Iowa manufacturing companies collaborate on selected advanced manufacturing topics. The purpose is to allow Iowa end product manufacturers and their suppliers the opportunity to collaborate on research and share new advanced breakthrough technologies.

### **Critical Actions:**

- 1) Broker a broad base of product design and development expertise to 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> tier Iowa manufacturers.
- 2) Create Extended Communities of Practice on selected topics.
- 3) Benchmark best practices in fostering idea generation. Create a forum to share these practices with other manufacturers throughout Iowa.
- 4) Establish an advanced manufacturing education, training and retraining clearinghouse.

**Impact:** Manufacturing makes up the largest sector in the state's gross state product. By making Iowa companies more competitive, productivity will increase, resulting in growth in that sector and increased prosperity for all Iowans. Iowa will become a

magnet for manufacturing companies wishing to take advantage of access to industry-to-industry sharing of technology.

## Next Steps

A collaborative network of Iowa leaders dedicated to coordinating and implementing the works of these “hot” teams is being formed to measure the success of the action “hot” teams and insure their sustainability. This collaborative network will support the ongoing activity of existing “hot” teams and serve as the coordinator and clearinghouse in support of new initiatives.

## Conclusion

Setting new directions is not easy. With so many constituency groups involved, it is very difficult to reach consensus on the plan that will benefit all interested parties. There may be rational business reasons why it is not in the best interest of some groups to make significant changes. Investments may have been made based on old economy thinking. However, discussing the challenges and finding the best solutions to the objections can overcome those obstacles. The Iowa Business Council spent the last year doing just that. It generated and fostered sincere discussion about Iowa and the direction and actions that need to be taken to move forward. It discovered there is no “silver bullet” that will instantly transform the state of Iowa. But, Iowa is rich in resources, and it possesses many of the key ingredients necessary to prosper in the twenty-first century. With the addition of strong leadership and hard work, the disturbing trends of the past few years can be reversed as we work together to enhance Iowa’s competitive position.

Iowa Business Council members, along with other concerned business leaders across the state, have made a personal commitment to step forward. They have taken the first step. They are out of the starting block, but do not expect results to happen overnight. Rather, consider this a progress report. The Iowa Business Council is committed to working collaboratively with the private and public sectors to help move Iowa’s economy forward.

