Strategies for Building New Economic Opportunities

Supplemental Module: Community Business Matching Model Overview and Applications

Buddy Borden and Tom Harris, University of Nevada
This module will introduce the Community Business Matching Model and explain how a CBM analysis can help grow regional economies.

References
Instructions:

This module focuses on an overview and application of the Community Business Matching model, or CBM model. Although originally designed for communities, it is very applicable to regions, as well. Applying the CBM model to an actual region takes time, and this short overview helps determine if the SET region would like to go through a CBM analysis.

Have this slide showing when the participants arrive.

Script:

“Welcome to the Community Business Matching model session. Our focus in this session is to provide an overview of the CBM process and show results of a previous CBM analysis. Although originally designed for communities, it is very applicable to regions, as well. Through this session, your SET region may determine if it would like to proceed with a CBM analysis.”
Instructions:

Provide an outline of the two segments of discussion for this module.

Script:

“This module is divided into two sections. The first section presents an overview of the CBM model, and the second section is an actual application of the model to two cross-border communities, Laughlin, Nev., and Bullhead City, Ariz.”
Instructions:

Give a brief history of the development of the CBM model and its lineage to the Western Rural Development Center.

Script:

“The Western Rural Development Center (WRDC) model is a derivative of the original CBM model developed by Catherine Halbrendt-Chang. It was initially developed to target agricultural sectors to Vermont communities. The model was further refined and developed for targeting all sectors of an economy by the Western Rural Development Center CBM team with members from Arizona, Hawaii, Kentucky, Montana, and Nevada.”
This slide covers statistical techniques used by other economic targeting studies and suggests that non-economic variables should be considered.

“Industrial targeting often is initiated by deriving statistical analyses of trends in the local economy. Understanding these trends provides information about specialized economic sectors that the study area may want to further develop. Input-output models provide information about economic linkages between sectors in a study area. Some regional economists suggest that other non-economic variables should be included, such as natural amenities. However, these procedures do not ascertain the economic objectives of the local populace.”
Instructions:

This slide contains information on activities formerly employed by states, counties and communities in their economic development efforts.

Script:

“In the 1960s and 1970s, economic development efforts were primarily attempting to attract manufacturers to an area. Rural areas could offer cheap land and labor and a labor force that was not unionized. States and local communities often gave tax abatements to firms to locate in their state or communities. However, these states and communities found that the industries that came because of sufficient incentives were also likely to leave if better offers were found elsewhere.”
Instructions:
Provide an overview of the changing national and international economy and the impact of economic development activities.

Script:
“Changes in international and national markets impact economic development activities currently employed. With international trade agreements, there is more global competition with manufacturers moving off-shore. In order to produce at a lower cost, higher-efficiency machinery is used. At the same time, organizations have been streamlined to reduce overhead. Because of international competition, rural areas have lost competitive advantages.”

Changes in Economic Development

- Intensified global competition
  + Labor-saving technical and organizational innovations
  = Rural areas lost competitive edge

Slide: 6
Time: 2 Minutes
“Rural communities find it harder to compete with metropolitan areas. This competitive disadvantage is caused by the manufacturers’ need for Just-In-Time Inventory procedures. Reductions in manufacturing staff have made business services attractive to manufacturers. Lastly, urban areas with their urban universities produce highly-skilled labor, a big need in rural America.

Some rural communities are still growing but in lower-skilled jobs. These jobs usually pay less and often cannot contend effectively with foreign competition. In order to grow within, some economic developers say rural economies should target small businesses, tourism and service sectors. Another area of economic development involves growing what already exists through business retention and expansion efforts. Apply as much effort to existing firms as your community does in trying to get a business to locate locally.”
“Current economic development efforts cover three fronts:

- **Business retention and expansion efforts** center on taking care of businesses and industries that currently exist in your region. These economic sectors have stood up to the “booms and busts” of local economic development fortunes and, therefore, are closely tied with the region.

- **Industry targeting** looks at specific industries or economic sectors to recruit to the area. These sectors may have export expansion possibilities, or they could even reduce exports as import substitution candidates.

- **Industry cluster targeting** looks at developing targeted industries that have supply chains and occupational chains with the local region. By expanding through clusters, regions will expand on-going economic advantages and even strengthen local economic linkages.”
Instructions:
This slide introduces the CBM model to the audience.

Script:
“The previous slide showed economic development programs currently employed. However, you did not see where public opinion was obtained to judge the desirability of these export sectors. The CBM process incorporates regional goals, desires and assets in developing targets for economic development. The CBM process requires community leaders and all representatives of the region to be involved in the goal making. Importantly, CBM uses a multi-objective framework to develop trade-offs between goals of the region and needs of the businesses. CBM also uses quantifiable measures to match businesses with regions.”
“To conduct the CBM process, the region must identify its economic development goals through an analytical process. By deriving trade-offs, the region can see the benefits and costs of its economic development perspectives. Importantly, a region must know its economic assets. Often, for example, rural communities do not know how much retail space is available. By quantifying community assets, rural communities are forced to document the space available for retail, manufacturing, and agriculture, as well as other key information. The CBM process also shows the regions which sectors are most consistent with their economic development goals and assets.”
Instructions:
Discuss the primary goals used by CBM to develop a region’s economic development goals.

Script:
“When it comes to economic development, residents are often faced with the trade-offs of economic quality, environmental quality and social quality. CBM forces the regional team to wrestle with the trade-offs between these three goals and decide what the region wants in economic development. This is often the hardest part of the CBM process because CBM requires residents to state their trade-offs.”
This slide depicts the CBM model, a type of location model, that is receiving strong reviews from economic development agencies for its comprehensive approach to matching community desires and business needs. The model matches the needs of businesses (including their community type preferences) to the assets and goals of the community. This results in a set of industries that might be successful in the region, those deemed a good fit. The analysis is based on surveys of business needs and a year-long community discussion about what the community desires regarding business.

“The Community Business Matching (CBM) model is a tool that walks a community through a year-long process to determine the types of industry it would prefer to see locate in the region. The community weighs the economic, social, and environmental impacts of industry and, as a community, determines how to prioritize these impacts. For example, communities that consider environmental issues over economic and social issues would never target an industry that might have a negative impact on the environment. Communities that consider economic issues to be the most important might weigh social and environmental impacts less.

At the same time, businesses are surveyed about the amenities they seek when making location decisions. These amenities could include a skilled labor force, broadband, access to transportation, high quality education, recreational opportunities, etc.

In the end, the region has two measures: desirability, which helps determine how likely a business is to meet the goals of the community, and compatibility, which assesses the likelihood that the business will locate in the community or how well the community’s assets meet the demands of the business. By simultaneously solving for desirability and compatibility, the community can more effectively target desired businesses.”
Discuss the two important statistics from the CBM process.

“Two statistics derived from the CBM process are important in developing a local economic development program. First, desirability measures how likely a business is to meet the goals of a region. Compatibility measures how the assets of the region fulfill the needs of the business. These statistics can be used to develop short-term and long-term goals for the region.”
This slide presents an overview of the process to derive desirability.

“As seen on the left, the region develops and weights the goals for economic development. From the business questionnaire data on the right, businesses yield information relating to these economic development goals. These two data sources are used by the desirability procedure to derive strength of match, which yields industries or economic sectors that the public finds compatible with their goals. This step is usually not found in industry targeting or industry clustering exercises.”
Instructions:

This slide presents an overview of the process to derive a compatibility score.

Script:

“The second important statistic derived through the CBM process is the compatibility score. On the left, the region has listed its assets for economic development. These assets could be acreage and space for economic development, physical infrastructure such as water and sewer, economic infrastructure such as availability of labor and economic linkages, and quality of life components such as health services and more. The business needs, on the right, are estimated from business questionnaires, and these data are analyzed in the compatibility process. The compatibility score addresses the strength of match between business needs and community assets. Again, this will provide information for both short-term and long-term economic development efforts.”
“For short-term economic development activities, economic sectors that have high compatibility scores should be targeted. The assets of the region are now available for the business, so there would be little impact on the regional asset supply. Desirability gives regions information for negotiation. When an economic sector wishes to relocate, it may do so only if certain tax and zoning abatements are given. If the economic sector is highly desirable, the region may wish to make concessions. However, if the economic sector is undesirable, the region should be reluctant to provide locational incentives. Low compatibility scores may provide information for long-term strategy. If the region can develop the resources to meet a desired economic sector’s needs, then this could be a long-run target. These resources could include ensuring broadband access, for example. However, if an economic sector requires close proximity to a port or railway, the region may not be able to develop these needs.”
This graph gives instruction on evaluating desirability and compatibility scores.

"The graph on this slide provides us with the ability to ascertain the information provided to us from desirability and compatibility scores. Economic sectors that fall in the upper right, where both desirability and compatibility scores are high, should become immediate targets for economic development. The upper left quadrant shows economic sectors with high desirability but low compatibility. The local economic development authority could investigate the assets that could be improved to increase the probability of desired sectors locating in the region. The lower right quadrant shows high compatibility but low desirability. These sectors should be screened with caution to determine what undesirable traits they have when compared to regional goals. The lower left quadrant has low compatibility and desirability scores. These economic sectors do not match well with the asset use and economic development goals."
The next three slides show the 12 steps of the CBM process. Each of the workshop modules take approximately 2.5 hours.

1. Step One is taking stock of the situation by familiarizing everyone with each other and the group. A pre-assessment activity and an introduction to community economic development proceeds an activity, taking stock of past CED efforts.

2. Step Two includes looking to the future by understanding sustainable development and brainstorming what tomorrow should look like for your region.

3. Step Three lets the team identify what is most important through economic development basics and a CBM goal ranking activity.

4. Step Four checks out the togetherness by industrial targeting and cluster analysis. The goal ranking results are also presented.”
Continue explaining the steps in the CBM process.

“The next four steps of the CBM process are presented on this slide.

5. Step Five includes finding out what the region has to offer potential businesses and industries by mapping its assets.

6. Step Six is the asset assessment process for your region.

7. Step Seven gives the team the opportunity to share its progress.

8. Step Eight allows the community to determine its options, as it reviews the CBM model results for compatibility and desirability.”
Conclude the discussion on the steps in the CBM process.

9. Step Nine allows the team to investigate the possible industries that match the region’s goals and assets.

10. Step Ten is decision-making time for the region.

11. Step Eleven reviews the progress the region has made.

12. Step Twelve provides the opportunity for evaluation and future planning.

Does anyone have any questions about the CBM process?”
[Allow time for feedback.]
This slide address the next steps after the CBM process has been completed and the results have been shown to the community.

“When the CBM process is completed, there are several more steps to be taken. First, keep the strong CBM team together. Second, the local economic development community should rank those sectors with the best scores and develop strategies for recruitment. Next, produce marketing materials that highlight your strengths to these economic sectors. Fourth, develop a strategy to contact the desirable and compatible firms. Outline who will contact them, and write a script that they will use when contacting them. Fifth, if an economic sector is highly desirable, but the compatibility score is low, find out why. If the asset can be developed further or purchased, then the community economic development board should suggest following through on these improvements.”
“Now, let’s discuss an actual application of the CBM model to the Colorado River Region. The Colorado River acts as the state line between Nevada and Arizona, and the two cross-border communities, Laughlin, Nev., and Bullhead City, Ariz., were targeted. The region is home to about 75,000 people, with approximately 85 percent of those living in Arizona.”
“Once the residents in the Colorado River Region identified specific goals and priorities for regional economic development, these results were then matched with regional assets and business/industry needs. This graphic shows a section of the compatibility and desirability matrix by industry North American Industrial Classification (NAICS). Each dot on the graph represents a NAICS industry. Each axis, compatibility and desirability, represents a rating between zero and 100 percent.

For example, NAICS industry 5414 placement indicates that this industry is 100 percent compatible, meaning that the existing assets in the region perfectly match with what is needed by this industry to expand/relocate to the region. With a 95 percent desirability, this industry highly matches the goals and priorities for economic development in the region. NACIS 5414 would be an industry that the region should strongly consider for economic development in the short run.

Another example is NAICS 4243, which shows a desirability index of 87 percent and a compatibility index of 73 percent. Although these readings could provide sufficient evidence for industry recruitment or development, the compatibility index needs to be further studied to determine what may be influencing this result. For example, if this industry needs a specific facility square footage size, but the regional area can only meet a portion of that facility size with existing inventory, then an investment may be needed to improve the compatibility index. Because other factors could influence this result as well, understanding where deficiencies may be could help the region address them in the mid or long term.”
This slide shows the actual desirability and compatibility index reading for the case study region.

“When the CBM model is run, all the NAICS industries in the model are assigned a desirability and compatibility index. Again, desirability index represents how well an industry aligns with a region/community goals and priorities for economic development. Compatibility index measures how well a community/region meets the needs of a NAICS industry, including infrastructure, social, economic, and more. This slide shows the actual index readings for the Colorado River Region.”
This slide provides some of the outcomes that have resulted from the Colorado River Region CBM program.

“The Colorado River Region has seen some positive results from the CBM analysis. First, formalized economic development organizations and plans have been developed in both communities. The Laughlin Enterprise Group and the Bullhead Regional Economic Development Authority focus on economic development, workforce development, and quality of life in the region.

Laughlin has acquired 9,000 acres and completed a master plan for industrial and commercial development including manufacturing, consulting, and alternative energy. Recently, the city secured one of the largest international alternative energy companies, which is poised to invest nearly $6 billion and create 3,000 permanent jobs at an average wage of $70,000 per year.

Bullhead City has also master planned area for industrial and commercial development including warehousing, consulting, manufacturing, and alternative energy. The city has added more than 50 warehousing jobs, with a current potential of adding at least 200 more.”
Instructions:

Ask the group these important questions as you wrap up this session.

Script:

“I’d like to take the last few minutes of our meeting to ask some important questions. What do you see as the takeaways from our session together? What did you think was most useful? What topics did you feel were less important or irrelevant to your regional team?

Any final thoughts or issues you want to offer at this point?”

Final Reflections

- Key takeaways from this session?
- Most helpful information?
- Least helpful?
- Other items?
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