Under One Roof:

New Governance Structures for Local Economic and Workforce Development

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Executive Summary

Across the country, there is a growing interest in aligning economic development and workforce organizations, which is motivated by numerous factors. These factors include increasingly scarce resources, intensifying competition for company attraction and retention, and the status quo's sub-optimal performance. Alignment is seen as one important component to ensuring that political jurisdictions—communities, counties, cities, regions, and even states—are able to design and execute data-driven initiatives and jointly allocate resources to grow the economy using all available tools.

Many have written about numerous aspects of local efforts to align economic and workforce development around specific initiatives or collaborative efforts. An important part of these stories includes discussion of efforts to develop, nurture, and retain the talented workforce necessary to support industries critical to the area's economic success.

This publication is intended to provide insights for local government decision makers considering structural realignments of agencies and organizations.

Yet, there is not much written about the relatively few local jurisdictions that have gone so far as to reorganize economic and workforce development organizations and governance structures in order to bring their resources—including staff, funding, and organizational priorities—under one organizational umbrella.

This publication is intended to provide insights for local government decision makers considering structural realignments of agencies and organizations. It profiles, in detail, five jurisdictions and explores the paths taken and common lessons learned across the sites. The five sites are geographically and economically diverse locations that represent a cross-section of communities and approaches, from a rural, Midwestern, multi-county region to large suburban and urban areas. Each case provides a varied look at how these areas have pursued governance changes depending on local circumstances, political and economic leadership, culture, and motivations. Each offers illustrations of how organizational and structural changes might energize and institutionalize partnerships among local economic and workforce development entities.

The sites were not selected because they represent what is often referred to as "best practice." There is no way to ascertain that they constitute best practice with certainty at this point in their implementation. Rather, they represent a few of the pioneers in the effort to use changes in governance structures and organizations as vehicles to enhance alignment of functions, strategies and resources, providing important insights and lessons about how others have proceeded. Early indications suggest that these cases are well designed to fit their local circumstances and hold much potential to achieve the stated objectives. Each case example provides a description of the local economy, a history of the merger or restructuring, a summary of joint activities pursued, a review of any obstacles faced in design and implementation, an assessment of the impact of the structural change, and a summary of lessons learned to date.

Findings

The overwhelming impression that emerges after reviewing the five communities is that there is no single right path for restructuring local government to align workforce and economic development functions. The five areas highlighted were motivated by diverse factors and chose drastically different organizational realignments convened by and organized around different entities. They approached the task of restructuring in vastly different ways, from slowly and methodically over many years, to boldly and dramatically over a short time horizon. They employed a wide range of fundamentally sound approaches to ensure that the restructuring, once launched, would yield desired results. They focused on strategies and tactics as varied as administrative streamlining to co-location of staff to implementation of sectoral approaches in pursuit of the desired results.

There is no single right path for restructuring local government to align workforce and economic development functions.

The analysis and findings address cross-cutting insights from the examples organized around the following categories: drivers for change, ability to change, engagement of stakeholders, the restructuring process, and the impact achieved.

In the five cases, we observed three major drivers that led local leaders to conclude that agency or organizational structural change was required and desired. Major drivers included dissatisfaction with the status quo, unwelcome public attention precipitated by questionable financial practices, and impatience with less than optimal results from existing agency structures organized around narrow functional or geographic lines. In all cases, these drivers inspired strong local elected or agency officials to action.

Once local leaders decided upon restructuring the desired course of action, numerous factors contributed to the rate at which the change could occur and the degree to which the changes were welcomed. These included the familiarity and experience that key staff had with the different agencies' roles and responsibilities in advance, the vision that leaders brought to the restructuring process, the respect and perception of key agencies and leaders among those with whom they merged, the political sense of urgency exerted by political and agency leaders, existing staff culture and attitudes, and how well the proposed changes fit the community and organizational cultures in the participating organizations.

There are several important characteristics that the cases shared regarding how they engaged stakeholders in the effort. In each instance, proponents and those charged with implementing the desired restructuring sought to appeal to a wide range of stakeholders. They used the political capital and credibility they had and built on early successes to advance the agendas. Most importantly, they used the potential value of the restructuring to attract stakeholders' and partners' support and cooperation. The value they have contributed, in terms of new opportunities identified and services delivered, reinforces the benefits of the restructuring and further builds the relationships.

Our review indicated numerous ways in which communities have chosen to restructure organizations to align workforce and economic development. Montgomery County chose to move the workforce function under the umbrella of the economic development agency. Denver decided to combine multiple functions (including workforce, housing and neighborhood development, business development, and small business services) under the Office of Economic Development. New York City moved the adult workforce function into the Department of Small Business Services.

Stanislaus County created a new entity that served as the home for both workforce and economic development functions. Finally, North Central Indiana created a Committee of the Workforce Board, providing a regional umbrella that convened and coordinated individual counties' economic development activities and made it possible for local economic development agencies to engage in joint marketing, research, and planning.

This suggests that there is no single organizational arrangement that provides a roadmap for guaranteed success. The specific organizational restructuring plan chosen is less important than how the change process is handled once the decisions about structure are made and implemented.

This suggests that there is no single organizational arrangement that provides a roadmap for guaranteed success. Instead, the path chosen seems to depend on local circumstances, existing institutional and personal relationships, political realities, and related factors. The experience of those studied indicates that the specific organizational restructuring plan chosen is less important than how the change process is handled once the decisions about structure are made and implemented.

These communities illustrate the broad range of ways in which the organizational restructuring spotlighted in this report can advance efforts to coordinate workforce and economic development to achieve common goals and concrete impact. The nature of the impact can include benefits regarding planning, collaborative research and information sharing, funding accessed, joint marketing and purchasing, service delivery, as well as broader changes in organizational culture and business practices and processes.

Communities that undertake a process of agency restructuring often expect to realize a more streamlined strategic planning process as one outcome. The restructuring often led to the creation, production, dissemination, and application of numerous studies and reports that influenced priorities and resource allocation decisions in the community. In many cases, the collaborative research, planning, and information sharing led to important actions around agreed-upon strategies. The restructuring activities also served to place economic development issues on the public agenda and revitalize partners and the community as a whole. In numerous cases, the restructuring created a more customer-focused and demand-driven agency culture.

In summary, there are numerous impacts resulting from restructuring organizations as described in the cases in this paper that coordination of functions and services alone is less likely to achieve. These include the following:

- *Improved problem solving from holistic thinking.* The expanded organizational mission and the cross-fertilization of ideas among staff from different components foster holistic and creative solutions to problems. Attention to staff development details (such as implementing staff cross-training) encourages thinking about development- and business-related issues, and brings varied perspectives and expertise to the table in a regular and structured fashion.

- *Consistency and alignment.* Staff members seek to advance one broadly defined and clearly articulated mission, not multiple organizational missions, and lines of authority and reporting can be more clearly defined.

- *Greater resources under one roof.* Some of the highlighted cases realized fiscal savings in restructuring organizations that could be reapplied toward advancing the organization's mission. Moreover, while individual funding streams associated with specific components often are earmarked for specific programs and activities, alignment under one organization allows for more focused and creative thinking about the use of earmarked and more flexible funds among staff with different perspectives.

- *Greater accountability.* Staff members ultimately answer to only one leader in the organization, rather than multiple leaders across organizations.

- *Potential to institutionalize desired changes.* Restructuring addresses some of the fundamental barriers to effective organizational change, such as aligning organizational culture, business processes, and performance management systems. As such, restructuring holds the potential to institutionalize the desired changes in attitudes, behavior, and outcomes that often motivate the effort and influence its success. The early evidence from the cases presented suggests that the benefits realized are potentially more long-lasting than simple strategies or tactics undertaken without structural change.

Introduction

Across the country, there is a growing interest in aligning economic development and workforce organizations. Partly this is motivated by an attempt to make good use of increasingly scarce resources. Partly it is a reaction to intensifying competition for attracting and retaining companies with good jobs, as communities face off against others in the United States and around the globe. Partly it is motivated by a sense that, among practitioners, at best, we have missed opportunities to be more successful by joining forces. In the worst case, unaligned strategies cause confusion, frustration, and suboptimal results against stated goals. Alignment of functions, strategies, and resources is seen as one important component to ensuring that political jurisdictions—communities, counties, cities, regions, even states—are able to design and execute data-driven, regional strategies and jointly allocate resources to grow the economy using all available tools.

Many have written about numerous aspects of local efforts to align economic and workforce development around specific initiatives or collaborative efforts. There are examples of cluster and sectoral strategies, joint planning, collaborative research, and efforts to set broad goals and design tactics to achieve them. There also is increasing dialogue about the roles of state and local government agencies, quasi–public organizations, and private intermediaries in growing the economy. An important part of these stories includes discussion of efforts to develop, nurture, and retain the talented workforce necessary to support industries critical to the area's economic success.

Yet, there is not much written about the relatively few local jurisdictions that have gone so far as to reorganize economic and workforce development organizations and governance structures in order to bring their resources—including staff, funding, and organizational priorities—under one organizational umbrella. Anecdotally, it appears that state leaders—Governors and state agency directors—have been more willing to restructure agencies to accomplish the desired alignment than their local counterparts.[1] These state examples

[1]See forthcoming Issue Brief from National Governors Association by Mark Troppe, Steve Crawford, and Marin Simon, Fall 2005, for more information on state responses.

provide insights and experience to others, especially states, contemplating similar restructuring efforts.

This publication is intended to provide similar insights for local government decision makers considering structural realignments of agencies and organizations. It profiles in detail five jurisdictions and explores the paths taken and common lessons learned across the sites. The five sites are geographically and economically diverse locations that represent a cross-section of communities and approaches, from a rural, Midwestern, multi-county regions to large urban areas. Each case provides a varied look at how these areas have pursued governance changes depending on local circumstances, political and economic leadership and culture, and motivations. Each offers illustrations of how organizational and structural changes might energize and institutionalize partnerships among local economic and workforce development entities.

The sites were not selected because they represent what is often referred to as "best practice." There is no way to ascertain that they constitute best practice with certainty at this point in their implementation. Rather, they represent a few of the pioneers in the effort to use changes in governance structures and organizations as vehicles to enhance alignment of functions, strategies, and resources. While one of the cases goes back two decades, most are in earlier stages of maturity. As such, they provide important insights and lessons about how others have proceeded, rather than long-term success stories. Nevertheless, early indications suggest that these cases are well designed to fit their local circumstances and hold much potential to achieve the stated objectives. They provide interesting models useful to other communities.

Following this introduction, each case example provides a description of the local economy, a history of the merger or restructuring, a summary of joint activities pursued, a review of any obstacles faced in design and implementation, an assessment of the impact of the structural change, and a summary of lessons learned to date. The final section highlights common features and lessons drawn from across the five cases.

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Case Study—

The Stanislaus Economic Development and Workforce Alliance

I. Background

Located in the heart of California's Central Valley, Stanislaus County encompasses more than 1,500 square miles and is home to nearly 500,000 residents. Of the county's nine cities, Modesto, is the largest with a population of 206,000.[2] Yosemite National Park and the Sierras lie 100 miles to the east, while the vast consumer and industrial marketplaces of San Francisco and Silicon Valley are a 90-minute drive to the west.

A leading producer of almonds, apricots, walnuts, cattle, and poultry, Stanislaus County ranks as one of the country's top ten agricultural areas, with total farm crop value amounting to $1.3 billion, or one-third of its economy, in 2004. The county is also home to numerous national food-related firms, such as Del Monte, the Gallo Winery, and Frito-Lay. Driven by advanced technology, the county's agriculture and food processing industries are expected to generate considerable economic activity in the future.

The local economy is diversifying, however, and has experienced significant growth in such sectors as retail trade, educational and health services, and leisure and hospitality. With respect to share of county employment, the county's largest industries are trade, transportation and utilities, manufacturing, and local government, which together accounted for more than 48 percent of total industry employment in 2002, compared with 8.6 percent for agriculture. Retail trade, services, and government, the county's largest growth industries, are projected to account for over 67 percent of total employment and 90 percent of total growth in employment over the period 2003 to 2008.

[2]The next largest cities are Turlock and Ceres, with populations of 64,000 and 37,000, respectively. The county's smallest city, Hughson, has 5,000 residents. The other five cities, Oakdale, Riverbank, Patterson, Waterford, and Newman, range in size from 7,000 to 18,000 residents.

While the county's labor force has expanded over the last several years, its unemployment rate has remained high, often twice that of California. Throughout the 1990s, the county's jobless rate exceeded 10 percent, reaching 16 percent; in 2003, it was 11.5 percent, compared to 6.7 percent for the state. Another challenge concerns the quality of jobs in the county. While the county experienced annualized employment growth of 2.3 percent from 1991 to 2000, wage growth remained virtually stagnant at 0.4 percent. Moreover, the county's poverty rate (18.6 percent in 2000) is higher than the statewide average, (13.9 percent) and has increased over time, while its per capita personal income ($21,790 in 1999) is considerably lower than the state's per capita personal income ($29,856).

Another problematic sign is the county's jobs-to-housing ratio, which indicates an overproduction of housing relative to jobs. Lack of suitable office space and available buildings, insufficient transportation infrastructure, and unfavorable market conditions are among the challenges facing the county with respect to job creation. Meanwhile, the county has experienced increased housing demand by San Francisco Bay area workers, who are attracted by the availability of lower-cost housing in the area. The net-migration of out-of-county commuters has contributed significantly to the county's population growth over the past decade, and is expected to account for most of its future growth. By 2025, the county's population is projected to reach 826,000 residents, up from 481,000 in 2003, a 72 percent increase in just over two decades.[3]

II. History of Agency Reorganization

The Alliance [is]… designed to oversee both job creation & job training.

Stanislaus County recently embarked on a bold and unique experiment to bring economic development and workforce development planning under the direction of a single, controlling body. In the summer of 2002, the county formed the Stanislaus Economic Development and Workforce Alliance [(Alliance), a non-profit agency designed to oversee both job creation and job training activities.] A public-private

[3]The anticipated population growth poses challenges not only for job creation, but also for the region's environment, economy and quality of life. The rapid housing boom, for instance, threatens to erode rich agricultural land, deplete limited water supplies, increase traffic congestion, and raise land values, thereby out-pricing businesses.

body, the Alliance is composed of representatives from the county and each of its nine cities, as well as from the education, training, labor, and business communities.

Prior to the Alliance's formation, two different entities separately managed workforce development and economic development in the county. The Stanislaus County Economic Development Corporation (SCEDCO), established in 1984, was responsible for economic development planning in the county and its cities.[4] The local Workforce Investment Board (WIB), like its predecessor the Private Industry Council, controlled job training and funding.

In an effort to streamline and align the county's job creation and training efforts, members of each entity's governing board entered discussions, beginning in the fall of 2000, about the possibility of merging SCEDCO and the WIB. Among the most important drivers for change were stakeholders' growing dissatisfaction with "business as usual," particularly in the economic development arena, and changes in federal workforce law. Each factor is discussed in turn.

By the start of the new millennium, the collective desire to alter the status quo—which, in the words of the local newspaper, reflected a "culture of study and stagnation," rather than an "ethos of action"[5]—had acquired a sense of urgency. For many, SCEDCO epitomized this culture of inaction. Although technically a non-profit entity, SCEDCO derived most of its funding from Stanislaus County and its nine cities, an arrangement that strengthened the County Board of Supervisors' leadership role in the agency, while increasing the perception that the agency was government-run. SCEDCO suffered repeated criticism for its emphasis on process over results (e.g., the numbers of workshops held, rather than jobs created or companies expanded). Critics pointed to the success of SCEDCO's counterpart to the north, the San Joaquin Partnership, as proof that a business-driven board could produce results. With 120 private-sector investors (compared to SCEDCO's 28), the partnership had

[4]Nearly all the cities have their own community or economic development departments addressing local development issues. Like SCEDCO before it, the Alliance acts as a bridge between the county and the cities by working with each city's EDO to gather such information as the location of available property in the jurisdiction, and its most recent demographics. The Alliance also assumes overall responsibility for marketing and promoting the region as a whole.

[5]"SCEDO-WIB Merger's Success Is Not Guaranteed," May 23, 2002, *The Modesto Bee*, page B6.

helped San Joaquin County attract dozens of companies, leading many to regard the region as years ahead of Stanislaus County in recruiting Bay Area firms.

On the workforce development side, pressure for change stemmed primarily from passage of the Workforce Investment Act (WIA) of 1998. To eliminate duplication of services, WIA encouraged local workforce areas to coordinate job training, job creation, and economic development activities. Eager to assume this charge, Stanislaus County created its Workforce Investment Board in July 1999, one year ahead of the WIA-mandated deadline. To strengthen the WIB's oversight role in economic development, the county involved the entity in operating the Economic Development Bank. The Board of Supervisors created the Bank in 2001 to pool local resources for economic development, initially funding it with $1.5 million and promising to dedicate the same amount each year for five years. The WIB—now the Alliance—shares responsibility with the Board of Supervisors for determining how the Bank's grants and loans are disbursed. Local jurisdictions apply for funding through the Alliance, which reviews applications and makes recommendations to the County Board about which projects merit funding.

By 2002, conditions were ripe for county leaders to consider additional strategies to enhance the workforce board's role in job creation activities and to boost private sector involvement in economic development.[6] A Modesto City Council meeting in March of that year presented the parties with a critical window of opportunity to fast-track the restructuring effort. When a presentation by SCEDCO's president cast doubt on the integrity of the development agency's business recruitment tactics, the mayor and others proclaimed that business as usual would no longer be acceptable.[7] By May, both the SCEDCO and WIB boards had voted to accept the merger, which the County Board of Supervisors approved shortly thereafter.

Throughout the merger process, the parties relied on careful legal review to ensure proper dissolution of SCEDCO and the WIB, and compliance with all WIA and

[6]Section Four below discusses the major hurdles facing the effort to unite economic and workforce development under a single authority.

[7]SCEDCO's chief executive officer acknowledged that the agency had used deceptive advertising techniques to lure companies to the area; she resigned soon thereafter.

economic development requirements. The parties crafted a new mission, goals and bylaws for the new corporation, as well as an organizational chart that eliminated several SCEDCO positions. Officially seated in August 2002, the new, 47-member Alliance Board of Directors included all dues-paying members of the former SCEDCO board (i.e., the county's incorporated cities) and the appropriate public-private mix of members, as mandated by WIA. At the board's first meeting, the Stanislaus County Director of Employment and Training, serving as the Alliance's interim director, rehired the former SCEDCO and WIB employees to staff the new corporation. The Alliance's new executive director assumed responsibilities the following month.

Keen on promoting small business development in the region, the Alliance lobbied federal, state, and county officials to become the SBDC's administrative host. In October 2003, the SBDC officially joined the Alliance.

III. Organizational Structure of the Alliance

Prior to the Alliance's formation, SCEDCO consisted of three major divisions: the site and development assistance division, which focused on business recruitment and retention; the finance division, which helped small business owners obtain financing and processed U.S. Small Business Administration loans; and the Valley Sierra Small Business Development Center (SBDC), which assisted the region's small businesses. At its inception, the Alliance assumed responsibility only for the business attraction and retention functions. This is because the new agency's authority was geographically restricted to Stanislaus County while SCEDCO's small business loan program and development center operated in multiple counties (Merced, Mariposa, Tuolumne, and Stanislaus). Consequently, SCEDCO—since renamed the Success Capital Expansion and Development Corporation (and thus able to preserve its acronym)—retained the small business loan program, and the SBDC found a temporary administrative host. Keen on promoting small business development in the region, the Alliance lobbied federal, state, and county officials to become the SBDC's administrative host. In October 2003, the SBDC officially joined the Alliance.

With a staff of eighteen,[8] the Alliance performs its economic development and workforce development functions within four key departments: the Department of Employment and Training (DET), the Department of Economic Development (DED), the Business Resource Center, and the Small Business Development Center.

[8]This figure does not include staff on the DET payroll, although it does include an EDD employee.

Although formally a division of the Stanislaus County government, the Department of Employment and Training implements all job training and placement activities under the direction of the Alliance Board of Directors. In partnership with the county community services agency and the state employment development department (EDD), the DET operates the Stanislaus Career Network (StanNet), the county's One Stop System. This system includes four Career Resource Centers, located in Modesto and Turlock. For job seekers, the Centers offer high speed internet connection, free faxing, copying and resume paper, job listings, an occupational video library, books and reference guides, typing certificates, and career development workshops. For employers and prospective employers, one-stop services include: on-the-job training, wage reimbursement, and an employment training panel program; rapid response layoff and business closure assistance, which a Rapid Response Team composed of DET and EDD staff provide; labor market and wage information; and employment application collection assistance, employee screening, interview space, and scheduling assistance. The Alliance/DET employs three Business Services Consultants who coordinate with economic development staff to assist local employers in meeting their workforce, funding, and expansion needs.

The Alliance's Department of Economic Development seeks to support business growth and job creation in the Stanislaus River Valley by offering business, corporate location and marketing assistance to employers of all sizes. The Business Assistance Program partners with county-wide public agencies to help employers identify and resolve issues related to employee hiring, specialized training, regulation, permitting, expansion, and finances. Alliance staff also help firms navigate the development process by arranging meetings with city and county departments of economic development, planning, building, public works, and public safety. The Corporate Location unit provides information relevant to business location decisions, such as market data, economic analysis, labor force information, real estate data, and customized business development data. Finally, the Alliance promotes business investment and growth in the county through strategic marketing and public relations campaigns.

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The Alliance's showpiece is the Business Resource Center (BRC), which provides information and research assistance to start-up and expanding businesses and firms considering locating to Stanislaus County. Opened in June 2003, the BRC helps companies conduct market analyses and access regulatory and demographic data, offers targeted business workshops, and provides businesses with meeting room space. The research tools that it makes available to employers include internet-enabled laptops linked to key business sources, business reference materials, trade directories, and business and industry news resources. Striving to respond to local business needs, the BRC has offered such specialized services as providing Latino businesses with technology training and assistance launching company websites. In its first year of operation, the BRC helped over 200 employers or individuals. The California Local Economic Development Association honored the BRC in April 2004 with an "Award of Merit" in recognition of its economic development and small business assistance efforts.

The Alliance receives and/or oversees funding from a variety of federal, state, and private sources.

Finally, the Alliance Small Business Development Center assists new and existing businesses in a four-county area through confidential, one-on-one consulting, entrepreneurial training, business plan development, seminars and workshops, and research assistance. It works with over 500 small businesses annually.

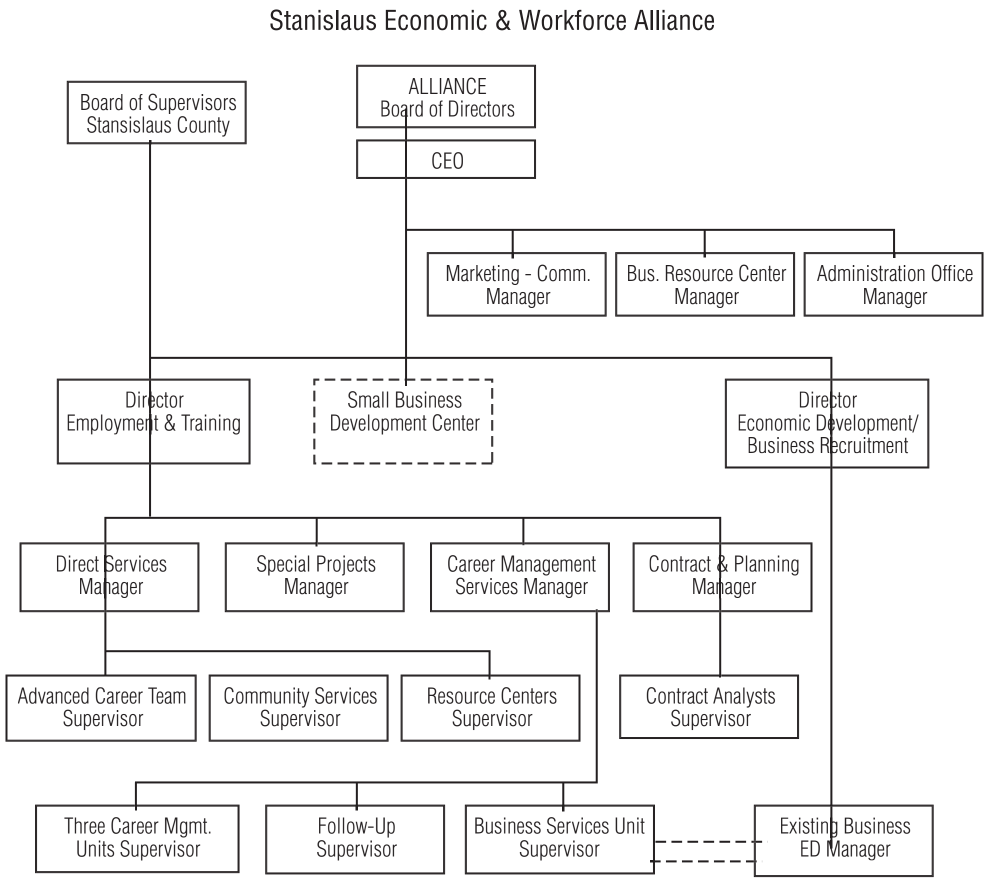
The Alliance receives and/or oversees funding from a variety of federal, state, and private sources. According to its most recent budget, the Department of Employment and Training received funds from the following sources (in approximate amounts): WIA ($8.5 million); TANF/Welfare to Work ($2.5 million); TANF-RESS ($114,000); and CDBG ($30,000). The Alliance also directly brought in funds from WIA General Revenue ($538,000); the private sector ($1.8 million to date, through the "Strengthening Stanislaus" campaign—see below); and contributions from the Stanislaus County Board of Supervisors ($124,000) and member cities (unspecified amount).

In 2004, the Alliance finalized the newest component of its strategy to increase private sector participation in the county's economic development efforts. In partnership with the Modesto Chamber of Commerce, the Alliance launched a four-year, multimillion-dollar campaign called "Strengthening Stanislaus." With the goal of financing an implementation strategy for a recently completed countywide action plan for economic development, the campaign seeks to raise $2.4 million in private funds, and $5 million in public funds over a four-year period.[9] Under the partnership agreement with the Chamber of Commerce, the Alliance Chief Executive Officer heads the campaign and serves as CEO of a newly created entity, the CEO Council. Composed of all private sector investors to the campaign,[10] the CEO Council receives all funds from the campaign, provides fiscal management for the project, and advises the Alliance on all project-related spending decisions. Although the CEO Council legally resides in the Chamber, the Alliance Board of Directors retains final spending authority. Moreover, the Alliance-Chamber partnership agreement requires all campaign funds to be used solely for the Alliance's economic development efforts.

The parties were motivated to use the Chamber's legal structure and organization as a vehicle for promoting Alliance economic development efforts because it promised to encourage private sector confidence and investment in the "Strengthening Stanislaus" campaign. The arrangement not only provides donors with direct access to the Alliance CEO, but also ensures donor privacy. As part of the Chamber, the CEO Council is shielded from state sunshine laws and conflict of interest codes, unlike the Alliance Board, which allows for public comment and input.[11]

[9]The ESI Countywide Strategy for Economic Development is described in Section IV, below. The Alliance and Chamber officially launched the "Strengthening Stanislaus" campaign in July 2004.
[10]There are currently four levels of investment in the council, ranging from $2,000 annually to more than $35,000.
[11]Originally, the Alliance and Chamber had agreed to install the Alliance CEO as the head of both entities. However, after opponents charged that combining a publicly-funded agency with a private, politically active group would create conflicts of interest, the parties rejected the agreement. See "County Group's CEO Won't Head Chamber," December 16, 2003, *The Modesto Bee*, p. A1. The final Alliance-Chamber agreement expressly prohibits the Alliance CEEO from joining the Chamber in its political endorsement efforts.

Organization Chart



IV. Opportunities and Challenges

Perhaps the greatest impediment to gaining stakeholder approval of the agency reorganization plan was pervasive distrust among public entities within the county. In particular, the smaller, outlying cities distrusted both the county, which they felt consistently ignored their needs, and Modesto, the area's economic and political heavyweight. The cities feared that creating a single board to oversee economic and workforce development functions would place excessive control in county hands, while enabling Modesto to appropriate most of the benefits. Modesto, meanwhile, worried that a single board would fail to properly weigh its interests relative to those of

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the smaller cities. In addition, the private sector-driven nature of the new board posed threats to all nine cities. Having enjoyed equal representation on the SCEDCO board, they risked dilution of their power on a larger board.

The primary mechanism for building trust among the cities was to create a representation system that allowed each city to be a seated voting member—i.e., one city, one vote.

The primary mechanism for building trust among the cities was to create a representation system that allowed each city to be a seated voting member—i.e., one city, one vote. The smallest city, with 5,000 residents, had one vote just like Modesto, with 200,000 residents. Leaders of the reorganization plan also engaged in a series of meetings with each city to persuade them that board representation from the private sector would be broad-based—the business members would hail from all the county's cities, not just Modesto.

Another potential obstacle to the reorganization concerned the identity of the new entity's top leadership. The parties feared that a primary goal underlying the creation of a new entity—starting fresh, from a clean slate—would be compromised if the new executive director came from anywhere in Stanislaus County, particularly Modesto, and had a stake in the region's past economic development decisions. The parties also worried that the new leader would lack sufficient ties to the private sector.

To inspire their confidence, the leadership selected a CEO from outside of the area with substantial experience forming public-private coalitions and securing private sector buy-ins. The candidate (now in his third year as Alliance head) was recruited from a large Midwestern town where he had worked in the state economic development corporation and various chambers of commerce. As the regional chamber of commerce's senior vice president for economic development, he had led a ten-county consortium within the metro area around economic development issues. Choosing a candidate with the right professional background signaled to the stakeholders that the new organization was serious about pursuing change.

Proponents of reorganization seized a third opportunity to gain credibility among the cities. In 2001, the California Department of Housing and Community Development announced a grant opportunity to fund cities with a specified jobs-to-housing imbalance to conduct economic development planning. Stanislaus County leaders decided that the area would derive the most gain by applying for the funding countywide, in order to ensure a comprehensive planning process. When three of the nine cities failed to meet the criteria required to obtain funding, the WIB leveraged the necessary funding so that those cities could participate in the process. The offer of financial support signaled that county leadership was committed to pursuing a community-wide planning effort, as well as capable of following through on its plans.

The collaborative approach extended to the design of the yearlong planning process and study. The national planning team conducting the study prepared a countywide economic development and marketing plan focused on issues that cut across municipal boundaries such as: air quality, transportation, education, and workforce development. In tandem with this countywide study, the planning team also prepared individual, strategic economic development plans for each of the cities and the unincorporated county.[12] Such multi-jurisdictional collaboration helped minimize competition among and between the cities and county. Released in April 2003, the county-wide report, "Strengthening Stanislaus: An Action Plan for Economic Development, 2003-2007," serves as an organizational and implementation blueprint for the Alliance, and the centerpiece of its capital fundraising campaign to promote economic and workforce development in the county.

V. Impacts

In the two years since inception the Alliance has achieved a number of positive outcomes for businesses and workers in the areas of business attraction and recruitment, business retention and expansion, and entrepreneurship. Each set of accomplishments is discussed in turn.

Regarding attraction, the Alliance recently celebrated the opening of the 224-acre Keystone Pacific Business Park in the city of Patterson. Part of a planned 800-acre business park that is expected to include 30 to 40 buildings and create more than 15,000 jobs, the Keystone park currently consists of three new, warehouse flex

[12]In addition to developing the county, local, and marketing plans, the firm conducted a regional economic summit, a countywide labor and wage analysis, cost comparison analyses for each community from the perspective of a corporate site selector, an industry cluster analysis, and committee meetings to develop each of the plans.

buildings that also can be used for offices. Two businesses already have agreed to locate to the park, which ultimately was created as a condition for approval of new housing subdivisions in Patterson.

A major accomplishment in the area of business of retention and/or expansion is the Stanislaus County Customized Training for Employed Workers program. In partnership with the Stanislaus County Association of Health Care Providers, Modesto Junior College, the City of Turlock Adult Education Program and Emmanuel Hospital, the Alliance created the customized training program to address a region-wide nursing shortage by creating a career-ladder approach within the nursing profession. Specifically, the program provides incumbent worker training to upgrade the skills of certified nursing assistants (CNAs) to become licensed vocational nurses (LVNs). Both the Alliance and the Industry Association provide a 50 percent direct funding match to provide this training. The Alliance also secured $400,000 in a state Caregiver Training Initiative grant to help fund the program. The program's first class of 30 CNAs graduated in June 2004; to date, 57 students have graduated and are now LVNs. The Alliance and the employer cosponsored twenty students, the Alliance itself sponsored eight students, and the community college sponsored the remainder. The program has now doubled its capacity and is able to accommodate 60 students per class. The program's next phase is to train LVNs to become registered nurses.

Staff have identified important synergies flowing from the creation of a new, single board, particularly from the co-location of services and the dual mission.

The Alliance has embarked on other sectoral initiatives as well. For instance, it is working closely with the Manufacturing Council of the Central Valley to identify the types of jobs that are likely to be available over the next several years. It also has entered discussions with the Council about the possibility of replicating the customized training program (discussed above) in the manufacturing sector. In addition, the Alliance is in the final stages of developing an Agri-Sciences industry cluster in the region. Analyses have recommended targeting the agricultural production and related manufacturing industries, such as food processing, since these industries are among the region's key economic sectors, are growing locally, and pay above average wages.

The Alliance also has helped bring the Sirolli[13] model of enterprise facilitation to the county. This approach involves listening closely to the passions that local residents express, and using a structured process to help them remove barriers to turning their passions into successful business ventures. For instance, it successfully recommended that the Economic Development Bank fund the city of Riverbank's program to provide a facilitator to encourage business start-ups and expansions.

Finally, staff have identified important synergies flowing from the creation of a new, single board, particularly from the co-location of services and the dual mission. Although anecdotal, two scenarios nicely illustrate the nature of such benefits. In one example, an employer calls an Alliance business services consultant because a rent increase is forcing it to lay off several workers; the employer wants to send those workers back to the One-Stop for retraining. The business services consultant then coordinates with an economic development colleague to obtain business closure or other such assistance for the employer. That the colleague is a co-worker located next door (rather than across town in a separate agency) facilitates such coordination. In another example, an expanding business is working with a business services consultant on economic development issues, and the consultant learns that the employer needs to hire new people immediately. The consultant is able to schedule interviews right away.

The parties built a new corporation from the ground up, with a new mission, new goals and objectives, new bylaws, a new organizational chart, and a new employee salary and benefit structure.

VI. Lessons Learned

The primary lesson, leaders insist, involves the nature of the restructuring process. Although the parties commonly use the term merger to describe this process, they contend that the Alliance is not, in fact, the product of a merger. Instead, the parties built a new corporation from the ground up, with a new mission, new goals and objectives, new bylaws, a new organizational chart, and a new employee salary and benefit structure.[14] Motivating the stakeholders to follow this bolder, alternative path was the promise of a fresh start and the opportunity to impose meaningful, lasting change on the workforce and economic development systems.

The logistical challenges associated with forming a new corporation, however, were plentiful. For instance, staff had to dissolve SCEDCO and the WIB in proper fashion,

[13]For additional information on this approach, see the website for the Sirolli Institute at www.sirolli.com.
[14]By contrast, in the typical merger case, one entity incorporates the various elements—mission, goals, staff, board members, etc.—of the other entity.

eliminate those agencies' past obligations, and close old programs and accounts while opening new ones. The reorganization also entailed substantial risks for each agency's staff, whose employment was terminated upon the dissolution of the agencies. Those employees who were rehired suddenly found themselves with a new employer and new job duties. Another implementation challenge involved training former SCEDCO board members about WIA requirements and former WIB members about economic development issues and regulations.

Building a new entity to connect workforce and economic development, rather than merging pre-existing entities, bestowed important advantages on the reform effort. First, the creation of a new, single organization presented the parties with the opportunity to overcome the perennial problems associated with funding silos for different development areas. The new structure encouraged the parties to think of creative ways to combine multiple funding streams, thereby enhancing the Alliance's capacity to respond to emerging employer and worker needs with both flexibility and speed. Second, the alternative restructuring approach gave the parties greater freedom to forge a new vision for the corporation, unhampered by former identities, scopes, and responsibilities. Third, by incorporating as a new entity, the Alliance was able to avoid assuming the liabilities of SCEDCO and the WIB.

A second key lesson from the reorganization process involved the importance of managing the board's agenda so as to maintain a focus on issues of strategy.

A second key lesson from the reorganization process involved the importance of managing the board's agenda so as to maintain a focus on issues of strategy. Meeting WIA requirements occupied much of the Alliance Board's time early on, which proved frustrating to many of the economic development practitioners and business members. To alleviate this problem, the Board adopted a consent calendar strategy, whereby mundane items (e.g., approving a new training provider to be added to the state employment and training provider list) were placed on the calendar and decided without public discussion. Such strategies have been critical to sustaining the momentum of change and innovation.

Case Study—Montgomery County, Maryland

Department of Economic Development's Division of Workforce Investment Services

I. Background

Montgomery County is Maryland's most affluent and populous jurisdiction with 931,000 residents. The county, which includes almost 500 square miles of land, enjoys a prime location adjacent to the nation's capital, Washington, D.C., and creates more jobs than any other jurisdiction in the state.

The county's economy has been stable through the recession, with total jobs essentially flat since 2000. Its location in the economically strong Washington metropolitan area helps Montgomery County maintain the lowest unemployment rate among Maryland's jurisdictions. In 2004, the unemployment rate averaged 2.3 percent for the civilian labor force of half a million. And the county is among the most educated in the nation. According to the 2003 Census Update Survey, 34 percent of all residents 25 and over hold advanced degrees, and another 29 percent are college graduates.

With its proximity to the nation's capital, the county is home to 19 federal scientific and regulatory agencies, the largest concentration of any jurisdiction outside of Washington, D.C. The 60,000 federal employees make $3.1 billion in federal wages, providing stability to the economy, and offsetting the impact of fluctuations in the business cycle. Federal contracting remains a key driving force in the Washington region. Expenditures for homeland security contracts, for example, increased 56 percent in fiscal year 2002.

The other major sectors in the region's economy are professional and technical services, information technology, and biomedical science. Companies in these three industry clusters accounted for approximately one-third of the total private sector jobs in the county in 1999, and added jobs at three times the rate of all private employers—an extraordinary driving force within the county's overall economy.[15]

[15]Montgomery County: The IDEALocation—Strategic Plan for Our Community's Quality of Life and Economic Development. Montgomery County Department of Economic Development. 2003.

Maryland has the nation's third largest concentration of biotech employers with 300 life sciences institutions, and Montgomery County is the home of 200 of them.[16] The county's biotechnology and life sciences sector benefits enormously from the presence of the National Institutes of Health and related scientific agencies. The county's support for start-up biotechnology firms, beginning with a commitment to build a life sciences center, has promoted the development of many successful companies, including Human Genome Systems and MedImmune.

The county is growing in population at a rate faster than the rest of the state. Between 2000 and 2003, Maryland's population grew by 4 percent, while the county's grew by 5.2 percent. Population forecasters anticipate growth of 12 percent in population and 14 percent in the number of households.[17]

Despite its economic success, Montgomery County faces two major challenges: transportation and housing. Transportation congestion remains the biggest threat to future economic development and the quality of life in the county. The Washington region has the third worst traffic congestion in the nation, according to a recent study by the Texas Transportation Institute. Proposed projects in the most recent six-year capital budget (extending through fiscal year 2010) address the need for highways, mass transit, parking facilities, and pedestrian walkways.

The lack of affordable housing also makes it increasingly difficult for many employees to live in the county. Vacancy rates remain low and housing prices have skyrocketed, with single family housing prices increasing 15 percent in 2003, following a 20 percent increase in 2002. The median single family home sold for $320,645 in 2003.

II. History of Agency Reorganization

Montgomery County's Division of Workforce Investment Services (DWIS) was integrated with the Department of Economic Development in July 2002, for the purpose of bringing synergy to the county's economic development and workforce investment efforts. DWIS had a twenty-year history of providing job training and

[16]Ibid.
[17]Maryland National Capital Park & Planning Commission

placement services to county residents, although it had undergone many iterations over the years. The division was a product of the original incarnation, the Montgomery County Private Industry Council (MCPIC), founded in 1982 as a private, non-profit corporation charged by the county with addressing workforce development issues by offering comprehensive employment and training programs to meet the needs of the business community.

In 1990, the MCPIC incorporated with a goal of providing leadership and coordination to the employment and training system, integrating both County and federal Jobs Training Partnership Act (JTPA) funds and strengthening business ties. Cited as a model of board leadership in early 1990s, MCPIC's work was documented by the National Association of Private Industry Councils[18] as a promising practice. In 1996, the MCPIC was renamed as the Workforce Development Corporation (WDC) and its mission revised to that of a coordinating and linking agent to ensure a smooth interface between the local employer community and an overall workforce development system.

In 1999, WDC moved within the county Chamber of Commerce in an effort to more closely align federal investments in worker training with the needs of local businesses. Despite the disparity in size and budget (WDC had a budget of $7 million versus the Chamber's $600,000), it appeared to be an innovative, symbiotic solution, fostering business involvement and leadership in public workforce training activities. The Chamber's private members made up 51 percent of representation in the "super board" that oversaw overall operations of the two organizations. WDC and the Chamber also retained their own boards, resulting in three strong boards governing one organization, which ultimately proved problematic.

Trouble surfaced when the two partnering organizations failed to institute the necessary financial firewalls to keep WDC's federal funding separate from the Chamber's and managed as required by government accounting regulations. In fiscal year 2000, the umbrella Chamber-WDC Board mistakenly used $300,000 of WDC's federal workforce funds to pay for Chamber political and lobbying activities. An investigation

[18]NAPIC has since been renamed as the National Association of Workforce Boards

by the local newspaper, the Business Gazette, sparked a public outcry and the County Executive called for an audit. The news criticism was sufficient to prompt WDC's executive director to resign. It soon became clear that there would be no easy fix to the problems; the two organizations would need to separate.[19]

The county began the long and complicated process of untangling the two organizations and their assets. WDC (hereafter cited as the Workforce Investment Board or WIB) was moved under Montgomery County's Board and Commission structure in order to minimize disruption to the board. The County Council was given significant oversight to ensure that there were appropriate fiscal controls; this freed the WIB from the responsibility of keeping a non-profit organization afloat and allowed it to focus on building a coherent workforce strategy. The WIB began operating as a county-sponsored board in September 2002, although its authority was derived from the Workforce Investment Act of 1998—its purpose, membership and function defined by the law. The WIB selected an internal candidate, a WDC board member who had a longtime interest in worker training issues, to serve as its new executive director.

Still unanswered, however, was the question of where to place the workforce investment services operation within the county structure. Should it be a stand-alone non-profit organization? Would it fit within the Health and Human Services Department? Would another agency be more appropriate? The new WIB executive director researched governance options and national trends in hopes of finding a solution that would maintain the business-focused approach that the chamber partnership had offered.

The Department of Economic Development seemed like a logical home for workforce investment services because it would tie directly to the county's efforts to recruit and retain companies.

The County Department of Economic Development (DED) gradually emerged as a natural choice, bolstered by the fact that the Economic Development director served on the Workforce Investment Board. The director agreed that the DED seemed like a logical home for workforce investment services because it would tie directly to the county's efforts to recruit and retain companies. He and the county Executive ultimately decided to place the board and its staff as a division within DED—a

[19] "County to Dissolve Chamber-Workforce Alliance." Steven T. Dennis and Theodore Kim. The Gazette. October 31, 2001 and "Criticized Group Now Under Rule of County." Whitney L. Jackson. The Montgomery Journal. June 28, 2002.

decision supported by the WIB. The executive director and his team were folded into the DED governance structure as the Division of Workforce Investment Services on July 1, 2002.[20]

The alignment of workforce programs with the county's long-term economic development strategy was seen as a logical and practical move that would enhance the efforts of both organizations.

The alignment of workforce programs with the county's long-term economic development strategy was seen as a logical and practical move that would enhance the efforts of both organizations. Co-location with a very active and sophisticated economic development partner would help DWIS more easily tap additional resources to meet its service goals and objectives. DED would benefit, in turn, by being able to broaden the menu of services available to employers with various job training and employment needs—start-ups, new arrivals, and those looking to expand or re-skill. In establishing a business-focused approach, DWIS and DED would simultaneously create new opportunities for the county's job seekers and incumbent workforce.

When asked to reflect on the merger, the County Executive responded,

> "When we decided to merge our Workforce Investment programs into our Department of Economic Development, we recognized the mutual benefits of this new, first-of-its-kind in Maryland arrangement. Linking our workforce development efforts with our economic development strategy made extraordinary sense in terms of attracting and retaining businesses, training our workforce to meet employer demand, and meeting the needs of both employers and job seekers in our community. While we put tremendous efforts into attracting innovative, high-quality, high-paying jobs to the county, we also pay great attention to the businesses that are here and their needs. We have found that addressing the workforce needs of our local businesses is very beneficial, not only to their employees, but to the community at-large."

III. Organizational Structure of the DWIS within the DED

The Montgomery County workforce system receives most of its funding from the U.S. Department of Labor through the Workforce Investment Act of 1998. Maryland's

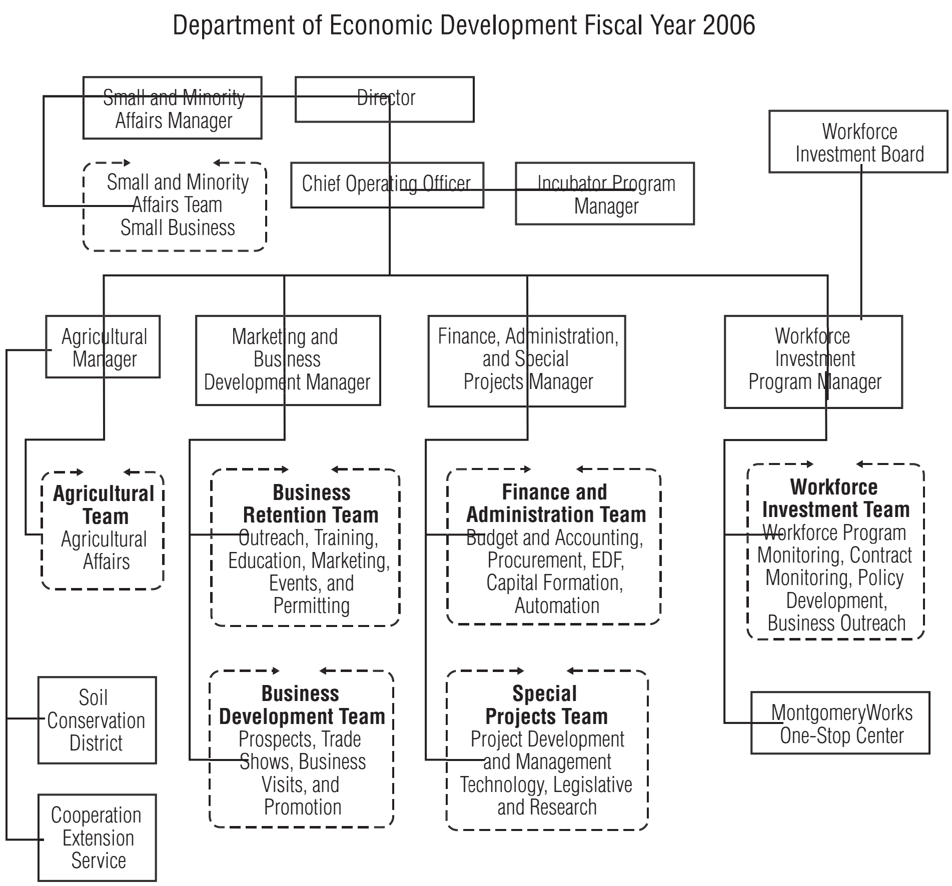
[20] "Takeover of Training Programs Complete." Steven T. Dennis. The Gazette. July 12, 2002.

Department of Labor, Licensing, and Regulation and Montgomery County contributes additional funds. County funding, amounting to about seven percent of DWIS' annual budget, is used to support administrative and infrastructure needs, including mailing costs, supplies, and overhead. The merger produced administrative savings of $300,000 a year, cutting the county's administrative costs effectively in half.

The county also was able to streamline management and staff. They laid off eight employees—some due to efficiencies created by not having public resources tied up in chamber activities, others in response to the conservative budget estimates for fiscal year 2003. Workforce Investment became one of four operational divisions within the department, along with Marketing and Business, Finance, Administration and Special Projects, and Agricultural Services.

Marketing and Business staff work in the field and operate on two teams: 1) Business Retention, which handles outreach, training, education, marketing, and events for local businesses; and 2) Business Development, which identifies prospect businesses that might be enticed to relocate to the county. When the merger first occurred, the 10 to 15 staff working on the business development, retention, and special projects teams were most affected. Ultimately, the addition of DWIS impacted the work of all 35 staff in the department as training and jobs were of top concern to employer customers.

Organization Chart



The thirty-member business-driven WIB is responsible for policy oversight and guidance for the expenditure of funds enabling local business, public and private sectors to work collaboratively in meeting the workforce development needs of Montgomery County. DWIS provides staff support for the WIB. Sixty percent of the original Workforce Investment Board stayed on after the move to DED, providing for some continuity. Having the Economic Development director as a WIB member was a major asset in helping the board and staff adapt to new roles within the department.

With its history as a reminder, DWIS closely accounts for its funding, and very little is done to integrate WIA dollars with DED funding. In fact, DWIS hired its own financial specialist to track WIA funding streams (using county funding that covers the costs of all DWIS personnel). Nearly 97 percent of the $4 million in federal, state, and county funds passes through DWIS and goes directly to the one-stops, known as MontgomeryWorks. In existence since the mid-1990s, MontgomeryWorks is operated by the Maryland Job Service and the Career Transition Center, Inc. (CTC), and numerous other non-profit and local agency partners. MontgomeryWorks served over 10,000 job seekers and employers in fiscal year 2004 with core services, intensive counseling services, and occupational skills training.

MontgomeryWorks has two career center offices, one in the Westfield Shopping Center in Wheaton, and the other in the Lake Forest Mall in Gaithersburg. These two centers act as employment resource centers and provide core services such as job readiness workshops, job searches, labor exchanges, and referrals to intensive services or One-Stop partners, as appropriate. A resume database allows staff to quickly identify and screen for job seekers who have the precise mix of skills matching employer vacancies and hiring criteria. In addition, intensive services for mostly dislocated workers include more in-depth assessments, staff-assisted career counseling, reemployment assistance, and job placement. In fiscal year 2004, MontgomeryWorks provided job skills training to over 4,500 people, and assisted over 5,000 citizens in obtaining employment.

IV. Opportunities and Challenges

The DWIS director views the partnership as an "arranged marriage," noting that the two organizations had to get to know each other and figure out how to work together effectively. The staff at DWIS, which had a good reputation and 20-year history, originally felt somewhat threatened by the merger. At first, DED staff were simply interested in accessing DWIS funding resources to strengthen business attraction efforts. It did not take long, however, for both sides to see the opportunities that integration offered in terms of improving the quality and breadth of services and expertise.

It did not take long, however, for both sides to see the opportunities that integration offered in terms of improving the quality and breadth of services and expertise.

In the first six months, DED coordinated formal training among staff and board members, and convened a staff retreat designed to break down some of the cultural barriers between the worlds of workforce and economic development. DED staff spent a day visiting the Montgomery Works sites to view the people side of the business. DWIS staff joined employer prospect meetings and retention initiatives. The two partners gave presentations on their initiatives at joint staff meetings. Agency leadership encouraged staff to share tools and resources and to include one another in relevant meetings and conferences. An economic and workforce development awards breakfast was described as particularly eye-opening for both sides of the house. These shared events helped to minimize turf issues, promote cooperation and coordination, and focus limited resources. County leadership estimates that it took 18 months together to realize the full potential of this organizational change.

The merger has expanded the menu of options available to employers should they choose to locate in the county, including recruitment and screening of job candidates, access to labor market information, financial support for incumbent worker training, and related services.

The new division filled a void in DED's menu of services that was not readily apparent before the merger occurred. Once it happened, however, the opportunities for the integration to provide clear benefits to both parties became apparent. "It was a natural fit right from the start," says the Chief Operating Officer of DED.[21] Having the two functions under one umbrella provides key comparative advantage in the very competitive environment surrounding Washington, DC.

DED now has access to the latest labor market information, which helps to inform the economic development strategy and identify growth industry sectors. Armed with this information and a menu of workforce service options to offer business clientele, DED is able to more effectively attract and retain businesses that can offer good job opportunities for county residents.

DWIS, in turn, has more familiarity and interaction with the broad range of services offered by DED such as site location assistance, financing programs for businesses, permitting, loan and grant access, tax incentives, and small business services. The merger has expanded the menu of options available to employers should they choose to locate in the county, including recruitment and screening of job candidates, access to labor market information, financial support for incumbent worker training, and related services. Business needs are addressed holistically, drawing from staff and programs with complementary resources and expertise.

The partnership is mirrored at the one-stop sites: MontgomeryWorks' Business Services Division staff are regularly included in prospect meetings to attract new employers to

[21]Interview, December 6, 2004

Montgomery County. In fiscal year 2004, the Business Services Division worked with over 200 employers, providing job fairs, customized recruiting, job placement, and new hire and incumbent worker training grants. The Business Services Team is able to customize workforce solutions for local employers, matching trained job seekers with in-demand occupations. MontgomeryWorks provided qualified new employees for such companies as HMS Host, Staples, BioReliance, Human Genome Sciences, GEICO, IntelliTrac, Marriott, Lockheed Martin Mission Systems, and others.

With DED and DWIS staff teaming up on business attraction efforts, the department has achieved numerous economic development successes with an eye towards new workforce development opportunities. For example, DED used a package of incentives to attract a new Macy's to anchor a major retail center in Wheaton, Maryland, a richly diverse community currently undergoing a significant revitalization. To complement the deal, DWIS is assisting in recruiting, hiring, and training 200 new employees for Macy's.

[The DWIS Director] wishes he had renamed it the Economic and Workforce Development Department at the point of integration in order to maintain equal focus on the two functions.

DWIS built a Sales and Service Learning Center within the mall location as a training site for people seeking retail clerk, customer service, and other sales and service related positions. The effort brought together partners from the National Retail Federation Foundation (providing staff, funding, and technical assistance), Westfield Shoppingtowns (providing space at no cost), and a local construction consortium (providing build-out services and materials at no cost). The Learning Center, which coordinates its services with those of MontgomeryWorks, is the fifteenth of its kind and the second skills center in Maryland. Montgomery County saw the benefit that such a learning center could have in matching job seekers not only to Macy's but to the more than 14,000 retail job openings anticipated in Montgomery County by 2010.

When asked what they would do differently if the merger were to go through today, County and WIB leadership identify one symbolic decision they would reconsider. Workforce Investment Services is not a cabinet-level function within the county infrastructure. Therefore, DWIS must rely on the Economic Development director

[22]Interview, December 6, 2004
[23]Ibid.

to position workforce development issues prominently with the County Council. Because the current director is such a strong advocate of workforce investment, this is not a concern now, but someday workforce challenges could take a backseat to economic development issues. While the DWIS director supports DWIS' placement within the department, he wishes they had renamed it the Economic and Workforce Development Department at the point of integration in order to maintain equal focus on the two functions.[22]

"Economic development has linked us to more employers than we could imagine."

Additionally, the DWIS director wishes he had pushed for more staffing positions upfront. When the merger took place, budgets were tight and he acquiesced to the bleak financial forecasts. But, in retrospect, he wished he'd spent some political capital to keep a full staff in place.

County leadership also continue to see more areas for synergy within the department structure. The leaders are working to leverage new opportunities, for example, nurturing up-and-coming industry sectors like nanotechnology in an effort to continually grow new jobs and economic development opportunities for the county. "We've barely scratched the surface," says the DWIS director.[23]

V. Impacts

In 2002, following the merger, the department developed a strategic plan and an economic development vision for Montgomery County: to foster a growing, diversified, and innovative economy, providing opportunity and prosperity for businesses and residents alike, while sustaining the county's quality of life. The plan is designed to provide direction and focus to public policies and programs that impact the community's ability to provide jobs for its residents and opportunities for its businesses. The plan includes a strategic focus on knowledge-based industries that take advantage of the county's existing employment base and its highly-skilled workforce.

The plan emphasizes two desired outcomes: 1) to enhance the skills and abilities of the local citizenry to meet the workforce needs of local businesses; and 2) to match those citizens with local employers that provide good jobs at good wages.

Montgomery County, Maryland Department of Economic Development's Division of Workforce Investment Services

In 2004, the WIB established four priority industry sectors that are forecasted to have the greatest job growth and highest demand for workers. The WIB has directed MontgomeryWorks to target business outreach and to focus ITA training funds in these occupational areas:

- Advanced technology (includes biotech, IT, nanotech, and other hi-tech fields)
- Health care
- Construction
- Customer Service, Sales and Retail

These targeted industries have been the focal point of many of the joint DED-DWIS initiatives, including business attraction, retention and expansion activities, and job creation. "Economic development has linked us to more employers than we could imagine," says the DWIS director.[24]

Business Attraction

DED and DWIS saw the opportunity to capitalize on the Macy's deal by designing a full-scale approach to supporting the high-growth sales, service, and retail sector. Skills Centers are highly visible recruitment, training, and placement facilities that operate in large shopping centers or as part of public employment services. The Centers offer a six-week training course in customer service, resulting in national professional certification endorsed by the National Retail Federation Foundation. Additionally, to support the high numbers of teenagers, seniors, and immigrant clients expected, there are computer classes, English as a Second Language instruction, and career counseling services. The project partners also help Macy's and other employers identify candidates for career advancement and arrange further education opportunities to ensure that entry-level employees are given clear career pathways into management positions.

The Wheaton Learning Center is in fact a regional demonstration center created in partnership with the U.S. Department of Labor. The model calls for co-location

[24]Presentation, National Association of Workforce Boards conference, March 2005.

[25]"Learning Center Provides Lessons in Customer Service: Career Assistance Given to Those Working in Retail." Annys Shin. The Washington Post. January 20, 2005.

of the U.S. workforce one-stop employment and training centers with the retail industry skills center model. With a projected 2,400 people expected to pass through the center in 2005, the county intends to serve a broad range of service- and sales-focused industries such as call centers, hospitality, transportation, banking, and health care. DED officials see the Sales and Service Learning Center as one of several industry-focused workforce training initiatives that could lure new business to the county. They plan others tailored for careers in health care, construction, and advanced technology.[25]

Business Retention and Expansion

Maryland Business Works (MBW) supports incumbent worker training in high growth industries and sectors such as health care and small business. Funded by the Maryland Department of Labor, Licensing and Regulation, and administered by MontgomeryWorks, MBW works with companies to identify and provide training and skill enhancements for their employees. MBW reimburses participating employers 50 percent of the total cost of training once employees have successfully achieved certifications for completed coursework. MBW has provided training grants for two dozen businesses and trained 500 employees at an average cost of $265 per employee. MBW is successful in that it uses public funds to leverage private sector contributions, while also opening doors for MontgomeryWorks to build relations with new employer customers with whom they can provide additional services.

A similar program is Metro Tech, which provides customized training for information technology and bio-technology workers. Using discretionary funding from US DOL, Metro Tech pays the entire cost of skills enhancement for employees who are newly hired into technology or biotechnology positions at participating companies. Employers with specific hiring needs select an eligible job candidate, specify the necessary training, and develop a tailored training program for that individual. Over the past three years, Metro Tech has expanded the pool of qualified tech workers in Montgomery County, serving more than 75 employers, training almost 200 workers at an average cost of $4,000 per new hire, and providing direct placement for 440 technology workers. The average salary for a Metro Tech job placement in fiscal year 2004 was $29.11 per hour or $60,548 per year. Metro Tech promotes economic growth and business competitiveness by expanding the labor pool for employers, while helping job seekers upgrade their skills and secure quality jobs in high-growth industries.

Job Creation

The county is also home to more than 200 bioscience companies and more than 1,800 information technology companies, many of which have grown from small start-ups. Gaithersburg is the number one city in the nation in home-based businesses per capita. In an effort to capitalize on this pipeline of entrepreneurial spirit, county leadership is nurturing business start-ups and job creation through the development of business incubators. Presently over 100 start-up companies are housed in two existing incubators that graduated enough companies to supply 1,000 jobs in just three years.

Traditionally, incubators are viewed primarily as engines of economic development and innovation. Montgomery County sought to build on that to ensure that this innovation translated into sources of jobs and workforce opportunities, and that DWIS was connected to that opportunity. By design, DWIS now offers workforce services to new companies moving into the incubators, as well as start-ups ready to move out on their own. DWIS staff present at monthly incubator luncheons or other meetings on services available, in an effort to link one-stop workforce customers to the emerging businesses in the county. Services provided include the following:

DWIS now offers workforce services to new companies moving into the incubators, as well as start-ups ready to move out on their own.

- Recruitment, assessment, testing, and skills matching
- Individual staffing and job placement
- Involvement in incumbent worker or other customized training programs
- Use of Metro Tech training project for new hires
- Easy access to well screened, well trained workers

The county plans to have seven incubators operational by 2007, some supporting specific sectors (such as biotechnology, one of the four priority industry areas targeted by DED), others housing emerging firms in other industries. DWIS will partner closely with the entrepreneurs in each incubator.

The director and other department leaders all agree that the culture shifts required by the merger take time and that it is important to be patient and let commonalities build over time.

VI. Lessons Learned

Because Montgomery County's decision to integrate workforce and economic development was initiated in response to a crisis, DWIS leadership was under pressure to shed the negative image generated by the controversy and quickly demonstrate capacity and effectiveness. The county's decision to merge the workforce function into the economic development organization not only restored the tarnished image of workforce development services, it strengthened the efforts of both DWIS and DED. For the county, this organizational relationship works well: Distinct functions and staff are located in the same economic development agency but are driven by a common, broad vision for the economic well-being of the community.

Key to the success of the partnership has been the role of the county's Economic Development director who served on the WIB and had a keen interest in workforce development issues. This natural ally not only supported the transition but was instrumental in building bridges between the staff of the two organizations.

The director and other department leaders all agree that the culture shifts required by the merger take time and that it is important to be patient and let commonalities build over time. They advise, "Be bold. Do not be afraid to make mistakes. Do not compromise. Integration is the right thing to do for employers and the community at large."[26]

Finally, DWIS had the good fortune of co-locating with a county department that was well-defined, well run, and had the confidence of the private sector. DWIS, which had its own history of being business-driven, was able to tap into well-established employer relationships and focus its staff and resources on re-establishing the WIB and strengthening the one-stop system. With a sector-based strategy now in place, DED and DWIS are having success in targeting businesses in high-growth industries and offering a package of customized services to meet their needs.

[26]Presentation, National Association of Workforce Boards conference, March 2005

Case Study—Denver

Denver's Office of Economic Development

I. Background

Denver, Colorado—America's "Mile High City" and "Gateway to the Rocky Mountains"— has acquired numerous accolades over the years, enhancing its reputation as one of the nation's most livable and thriving cities. It consistently ranks as a top U.S. city for everything from business climate, venture capital activity, and e-commerce to sports, walking, and raising a family. The city boasts the nation's largest public park system, the second largest performing arts center—even the thinnest citizenry!

Both a city and a county, Denver had a 2004 population of 571,000 and a metro area population of 2.5 million.[27] In the late 1980s, triggered largely by the regional collapse of the oil industry, the city's population shrank by 5 percent. It rebounded in the 1990s, rising 19 percent, with the suburbs growing nearly twice as fast. Two factors helped fuel the city's rapid population growth. First, between 1990 and 2000, the city experienced a near-tripling of its foreign born population, the majority of whom are immigrants from Mexico; currently, one-sixth of Denver's population is foreign-born. The proportion of Denver residents of Latino origin rose from 23 to 32 percent during this period. The city's diverse population also includes 11 percent African Americans, three percent Asian/Pacific Islanders, 1.3 percent Native Americans, and about four percent multi-race.

A second factor contributing to Denver's population growth was an influx of young, mobile workers. According to the U.S. Census, between 1995 and 2000, the city had the sixth-highest migration rate among U.S. cities for unmarried college graduates, and Colorado had the second-highest rate among states. This migration has helped make Denver's workforce one of the most highly educated, with 41 percent holding

[27]Metro Denver is composed of seven counties: Adams, Arapahoe, Boulder, Broomfield (city and county), Denver (city and county), Douglas and Jefferson.

at least a bachelor's degree, compared to 23 percent nationwide. At the same time, both the city and state have low high school graduation rates, leading commentators to speak of a "Colorado Paradox." Moreover, wide educational attainment disparities exist among Denver's racial and ethnic groups, with 48 percent of Whites holding bachelor's degrees compared to 18 percent of Blacks and only eight percent of Latinos.

Once driven by mining, Denver's economy today supports a core of growth industries, particularly in the high-tech sectors. Major industries include telecommunications and digital media, software development, aerospace, health care, and finance. Of the 50 largest metro areas in the U.S., metro Denver ranked second in aerospace and third in broadcasting/telecommunications and energy. Denver also boasts the second-highest concentration of scientists and engineers and third-highest number of science and engineering graduate students in the country.

Because of the heavy presence of high-tech industries in the Denver and Colorado economies, both suffered more severely than the nation as a whole during the recent economic downturn, and their current economic recovery lags behind that of the nation. While its economic outlook is positive, metro Denver is forecast to experience only modest growth in 2005. Its unemployment rate declined slightly from a high of 7.4 percent in 2003 to 6.8 percent in 2004 (compared to the state's rate of 5.5 percent). The strong economic conditions of the 1990s helped reduce Denver's poverty rate from 17.1 percent in 1990 to 14.3 percent in 2000, although the recent downturn threatens to reverse this decline. The city's homeownership rate increased during the 1990s for almost all racial groups, and especially for Latinos. Median rental costs rose dramatically, however, reflecting a need for affordable housing.

II. History of Agency Reorganization

In 2003, two years after the "tech bubble" burst, Denver held its 43rd election for mayor. Against a backdrop of a stagnating local economy and historic municipal deficit, the winning candidate, John Hickenlooper, campaigned on a platform of economic revitalization and new job creation. Specifically, Hickenlooper pledged to

The winning candidate, John Hickenlooper, campaigned on a platform of economic revitalization and new job creation.

expedite a pipeline of projects to the city worth $5.3 billion and to create 25,000 new jobs in his first term. To meet these goals the new mayor insisted city officials and the public would have to acknowledge the interrelatedness of the housing, workforce development, land use, economic development and transportation issues, and the need for integration, coordination and the removal of bureaucratic inefficiencies.

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Hickenlooper's decades-long experience prior to the election as a successful businessperson and entrepreneur, as well as an activist in local community affairs, powerfully shaped his views about the ingredients of a healthy local economy. In working to preserve and revitalize Denver's trendy and historic lower downtown (LoDo) area, for instance, Hickenlooper himself had received sizable funding from the city's economic development office. As the owner and developer of numerous downtown dining establishments, including the state's first brew pub (and now one of the world's largest), he employed numerous restaurant workers and became a frequent user of the city's workforce and economic development services. Having experienced first-hand the often frustrating demands of securing city services from four separate agencies, Hickenlooper became convinced of the need to consolidate key development functions. Eager to enhance the city's business climate by improving the relationship between city government and the private sector, the new mayor proclaimed in his inaugural address that Denver was "open for business."

By the time of the election, city hall was attuned to the idea of reorganization. Concerned about problems flowing from funding and program silos, the previous administration had produced several concept papers on the issue of consolidating city agencies, albeit too late in the term to implement recommendations. Upon his election, the new mayor appointed a large transition committee (the "community and economic development team") to identify best practices and strategies for tackling bureaucratic obstacles and improving customer service. After conducting numerous interviews with representatives of the previous administration, as well as nonprofits and service providers, the committee proposed merging not just economic and workforce development functions, but also the areas of housing, contract compliance, and small and disadvantaged business development.

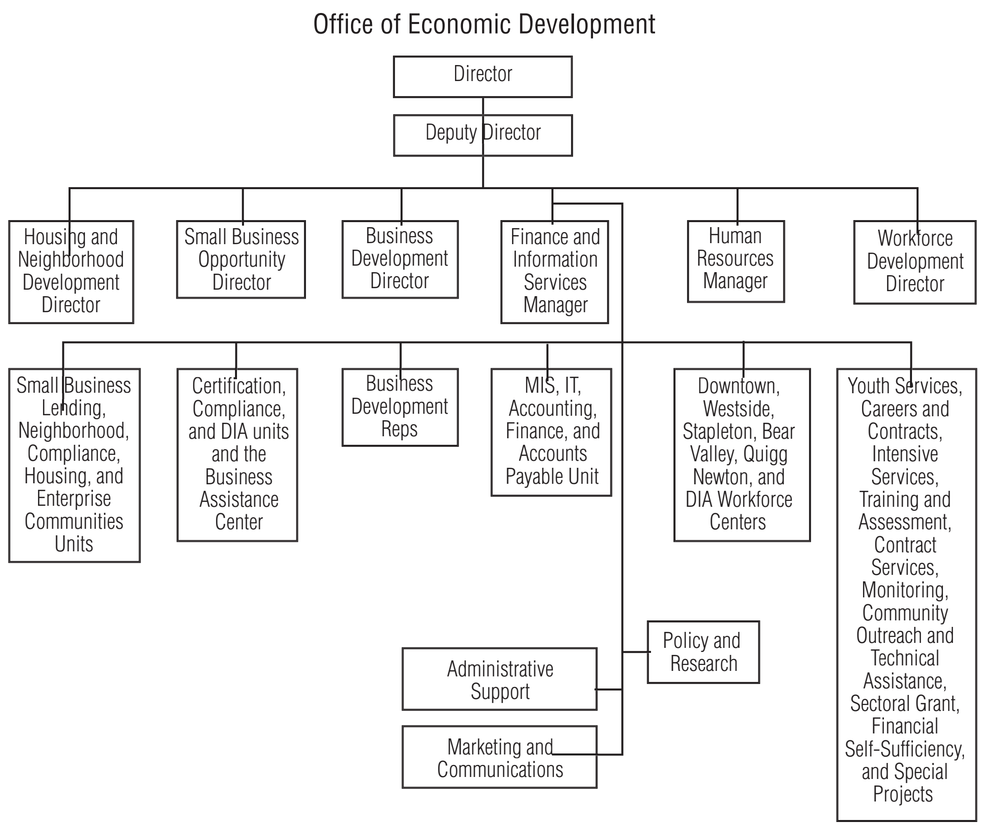
Case Study: Denver's Office of Economic Development

In July 2003, mayor-elect Hickenlooper announced a new office that combined four areas of development—economic, workforce, housing and neighborhood development, and small business—under a single organization.[28] Called the Office of Economic Development (OED), the new office is composed of four divisions, three of which had existed previously as separate and independent entities, and one of which had been a division of another agency:

- The Division of Business Development, formerly known as the Mayor's Office of Economic Development and International Trade (MOED/IT)
- The Division of Workforce Development, formerly known as the Mayor's Office of Workforce Development (MOWD)
- The Division of Small Business Opportunity, formerly known as the Mayor's Office of Contract Compliance (MOCC)
- The Division of Housing and Neighborhood Development, formerly known as Housing and Neighborhood Development Services (HNDS) (and part of the Community Planning and Development Department)

[28]The new administration favored elevating the OED to cabinet-rank. However, as doing so would require a voter-approved change to the city charter, it decided to create the new office through executive order, thereby keeping it an office, but to treat it as a cabinet-level agency.

Organization Chart



In general, the four agencies seized the opportunity for change. For instance, while a number of economic development staff longed to ground their work in rigorous research and analysis, their office lacked the infrastructure (e.g., an employer database) necessary for effective employer tracking and retention efforts. The reorganization promised to raise the status of the economic development office (from "mayor's office" to "city office") and enhance its priority within the administration. In addition, the mayor appointed a new director for OED who had a business and policy background and reputation for demanding hard data. The selection signaled to staff that the city's development efforts would be driven by solid research and analysis.

Other agencies also welcomed the opportunity to have greater voice within the administration and larger public. The contract compliance office, for instance, was enthusiastic about the opportunity to gain a platform from which to educate other city employees about their work on behalf of small businesses, the cornerstone of

Denver's economy. The housing agency had long sought to reframe its work as involving more than the provision of safe, affordable housing and the promotion of equity and fairness (critical as those goals are). By including the housing agency within the OED, the reorganization presented an opportunity to advance the idea of housing as a key economic development tool with significant consequences for both employers and employees. The reorganization also afforded the agency the chance to reduce its near exclusive emphasis on the physical capital and infrastructure—e.g., paving alleys, planting trees—and instead to spotlight the key role of human capital development and job growth in genuine neighborhood revitalization.

The leaders of the new office chose to commence the reorganization process with the physical movement of the four agencies' staff to a new state-of-the-art municipal office building designed to house about 40 municipal agencies and divisions located in the heart of downtown.

After endorsing the transition committee's recommendation to consolidate the four offices into one, and issuing an executive order to create the new office, the mayor appointed its new leaders (a director and deputy director of economic development and directors of each of the four divisions). The mayor made clear to his appointees that their charge was to lead the change process and build a new structure that would survive the next administration. As it has evolved, there have been three major phases: physical relocation and consolidation, administrative reorganization, and programmatic alignment.

The leaders of the new office chose to commence the reorganization process with the physical movement of the four agencies' staff to a new state-of-the-art municipal office building designed to house about 40 municipal agencies and divisions located in the heart of downtown. In the next stage of reorganization, they undertook a process of integrating administrative functions in order to generate administrative efficiencies. Specifically, agency leadership first consolidated administrative staff positions. They then installed the financial management unit to oversee the financial functions for all four divisions. Next, they brought in the human resources staff to operate HR for the entire office, and then the marketing staff to oversee that operation. Finally, they brought in line staff from the various agencies.

[29] To a limited extent, the physical integration of staff included elements of programmatic integration. For example, the newly appointed OED director wanted the "Employer Specialists" in MOWD's Employer Services Division to begin working immediately with the economic development staff; he therefore requested that the Specialists move to the new office space ahead of their co-workers in MOWD.

The second major stage of the reorganization process occurred largely along administrative, as opposed to programmatic lines.[29] That is, leaders of the new office explicitly chose to hold off on merging activities related to core functions of the office, such as, training and business retention and expansion, until administrative integration was near completion. The programmatic integration stage began to emerge in January 2005 with the creation of two entities: the Business Assistance Center, a "one-stop information center," which provides a range of services to small businesses (described in Section IV, below); and the Policy Group, an office think tank charged with deciding how to merge the work of the four departments programmatically, as well as with studying broader city policy issues. Responsible to the director and deputy director of economic development, the Policy Group is composed of five analysts drawn from three different divisions. Two members are senior policy analysts and one is a senior GIS (geographic information system) analyst focusing on the spatial components of community and economic development.

III. Organizational Structure of the OED

The Office of Economic Development currently has 218 employees, approximately 100 of whom work in the new municipal office building, and the remainder who work in one of six Workforce Centers (one-stops) located around the city, including the Denver International Airport.

With approximately 148 staff, the Division of Workforce Development (DWD) is the largest of OED's four divisions. The DWD's primary role is to administer the Workforce Investment Act (WIA), delivering employment, career assessment, job readiness, and education and job-specific training services through the Workforce Centers. The DWD also contracts out WIA intensive services via RFPs to a network of community-based organizations and is responsible for the employment/training functions of the Temporary Assistance for Needy Families (TANF) program. DWD employees also serve as staff of the Denver Workforce Investment Board (WIB). For Program Year 2004, the DWD's total budget was approximately \$20 million, of which \$7.5 million came from WIA, and \$12.5 million from a variety of other programs, including TANF, Wagner-Peyser Job Service, Food Stamp Employment and Training, and a Youth Opportunity Grant.[30]

Like its predecessor (MOWD), DWD sponsors a Business Services Division, which employs several employer specialists who are assigned to selected industry sectors and work closely with their economic development colleagues. These specialists provide a range of employer services, including labor market and tax credit information, financial assistance for incumbent worker training and recruitment services. They also engage in outreach to selected companies falling within certain high-wage, high-growth categories. After conducting a needs assessment, the specialists forward any relevant information (e.g., a need for recruitment or training) to assigned staff in the appropriate Workforce Center. Currently, the DWD is in the process of reorganizing the Employer Services Division (see Section IV, below).

The Division of Housing and Neighborhood Development (DHND) is the second largest component of OED in number of staff—approximately 30—but the largest in budget size—about $24 million for PY 2005. DHND serves primarily as a "pass through" agency for federal funds (e.g., CDBG, HOME and HOPWA),[31] private activity bonds, and state and local funds. Its major functions include funding housing services (e.g., new construction, rehabilitation, acquisition, single family counseling, referrals); implementing the Focus Neighborhoods Initiative, a neighborhood redevelopment program that targets 16 of the city's poorest neighborhoods to receive development assistance; and operating the small business lending program, which offers small business loans to companies seeking to locate to or expand within priority neighborhoods, as well as to start-ups falling within certain disadvantaged businesses categories.

[30]The OED's overall budget for 2005 is $47.5 million. In addition to $20 million for DWD, this budget includes approximately $24 million for DHND, $2.5 million for DBD, and $1 million for DSBO.

[31]The CDBG (Community Development Block Grant) program, one of the oldest within the US Department of Housing and Urban Development, provides annual grants through a variety of programs to ensure the creation of affordable housing, provide services to disadvantaged residents, and create jobs. The HOME Investment Partnerships Program (or HOME for short) is the largest federal block grant to state and local governments designed to create affordable housing for low-income households. HOPWA (Housing Opportunities for People with AIDS/HIV) serves people living with the disease.

The Division of Small Business Opportunity (DSBO) employs approximately 20 staff and manages a budget of nearly $1 million (OED's smallest budget component). In addition to assuming the office's former regulatory duties—ensuring small business certification and contract compliance—the division has taken on the more proactive role of nurturing small business enterprises (SBEs), especially disadvantaged business enterprises (DBEs), and promoting their access to contracting opportunities within the city. The division also operates the newest entity within the reorganized OED: the Business Assistance Center (BAC), as described in the next section.

Finally, the Division of Business Development (DBD), the city's traditional economic development arm, is OED's smallest division in terms of staff size: it employs approximately eight staff, two of whom are located in OED's Shanghai and London trade offices.[32] One DBD staff member had previously worked in the workforce development office as an Employer Specialist; the DBD expects another DWD staff member to join her in the office's ongoing effort to better tightly connect economic and workforce development. The DWD provides a range of business development services, such as economic and demographic data, financial assistance, real estate searches, regulatory assistance, tax credit information, and marketing research. The DBD's budget in 2005 is approximately $2.5 million.

While the DBD focuses on business expansion and retention efforts and assists business in the start-up process, it does not directly undertake business recruitment efforts. Instead, DBD/OED has outsourced this function to the recently created Metro Denver Economic Development Corporation (MDEDC).[33] Founded in October 2003, MDEDC is a public-private, not-for-profit organization, affiliated with the Denver Metro Chamber of Commerce. Billing itself as the nation's "first and only truly regional economic development entity," the organization works in partnership with 58 cities, counties and economic development agencies. Denver's new mayor, a committed regionalist, was a key force behind the creation of the new organization, which aims to promote regional growth by coordinating business recruitment/

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[32]Under the former Mayor's Office of Economic Development and International Trade, Denver became the first U.S. city to establish permanent trade offices in London and Shanghai, with the aim of providing Denver-based businesses with access to the European and Asian markets.
[33]See http://www.metrodenver.org.

The mayor announced that the city would conduct a business retention survey to determine the best strategies for job creation and business support while learning about the strengths and weaknesses of Denver.

attraction efforts, and thereby minimizing inter-jurisdictional competition. OED was the first financial subscriber to the regional effort, committing $500,000 in the first year, and is a member of MDEDC leadership groups, including the Board of Governors.

Soon after inception, the Metro Denver EDC launched a five-year, multi-million dollar campaign, named "Breakthrough! Denver," designed to spur public and private sector investment in regional economic development efforts. By February 2005, the organization had surpassed its campaign target of $12.5 million by $800,000. It intends to spend the funds on marketing, political action, and business recruitment initiatives for the purpose of creating 100,000 new jobs in the region over the next five years.

IV. Opportunities and Challenges

Early on in the reorganization, OED took advantage of a prime opportunity to improve the staff integration process, as well as to help shift the orientation of the office from a regulatory to a customer-service culture. In April 2004, in pursuit of his goal to create 25,000 new jobs by 2007, the mayor announced that the city would conduct a business retention survey to determine the best strategies for job creation and business support while learning about the strengths and weaknesses of Denver as a place for doing business. The OED chose a unique method for administering the survey that aimed to acquaint staff in the newly merged office with each other and with the office's different functions, as well as to promote staff buy-in of the office's overriding mission: growing employment.

The OED chief required that all OED staff, from the administrative assistants to the division directors, participate in the survey initiative by visiting with local businesses.

First, the OED chief required that all OED staff, from the administrative assistants to the division directors, participate in the survey initiative by visiting with local businesses. In total, OED staff met with 369 local business owners and executives during 150 personal visits to their business locations, as well as during roundtable discussions hosted by the city.[34] Second, the OED director required that staff work as

[34]OED also posted the retention survey on its website so that businesses unable to schedule visits could complete the survey at their convenience. In addition, it hired a third party company to conduct a phone survey of a larger sample of local companies.

a team during the visits, with each team composed of least two staff members from different divisions who did not know each other previously.

The OED director required that staff work as a team during the visits, with each team composed of least two staff members from different divisions who did not know each other previously.

The plan encountered initial resistance among some staff, who viewed the mandatory visits as an unnecessary burden. Most staff accepted the assignment, although levels of enthusiasm varied. Over time, however, the consensus view grew more positive, and a number of staff even volunteered to go on additional visits. Overall, many staff indicated that the experience educated them about the work of the new office and enhanced their desire to learn more about OED's diverse programs. In addition, the effort familiarized them with local business needs and, perhaps more fundamentally, demonstrated the value of listening to employers. These customers openly embraced the opportunity to present to the city a wide range of needs and concerns, beyond typical requests relating to permitting and licensing. For instance, business owners discussed their hopes for better networking opportunities, for additional anchor tenants, and for a strengthened entrepreneurial culture within the city. Among other things, this relationship-building exercise initiated a shift in the new organization's culture from one focused on enforcing regulations to one emphasizing customer-service.

A formal analysis of the business survey results produced a number of recommendations, one of which was for the city to create a center that would serve as a one-stop shop for government forms and a referral center for private and non-profit resources to help small businesses start up and grow.[35] The mayor seized on this recommendation, and in his 2004 State of the City Address announced the creation of the Business Assistance Center (BAC).[36] Launched in January 2005, the BAC is a "one-stop information center" designed to assist small business owners and aspiring entrepreneurs with local, state, and federal licensing, permits, and regulations, and to serve as a "clearinghouse for business-related mentoring, marketing and financial

[35]The study also recommended that OED and other offices focus on fundamental city services, improve the educational system, enhance access to capital, improve the local business climate, invest in transportation infrastructure, and evaluate the occupational privilege tax (designed to generate funds for the development and upgrading of city facilities and provision of municipal services to Denver citizens and businesses). See "Denver Polls Business Owners," Denver Business Journal, 9/23/04. http://www.denver.bizjournals.com.
[36]The BAC is a joint project of the city and county of Denver, the U.S. Small Business Administration, the Colorado Secretary of State and Department of Revenue, and the Downtown Denver Partnership.

resources in the community."[37] Specifically, it provides all government forms required for start-ups; provide referrals to private, non-profit and public programs for business planning assistance, financing, and other business needs. Currently, the BAC has two full-time staff members, one from DWD and the other from DBD, and one part-time member; it seeks to add additional staff soon.

In addition to the BAC, OED created another innovative business service, called Concierge Services, which seeks to lower the barriers that businesses face in working with the city. A team of 30 core OED staff serve as guide and personal contact through city processes (e.g., permitting, development review, tax auditing, and complex licensing), helping them resolve any problems with other agencies and advocating on their behalf. The concierges consist of OED senior staff, management staff, and all program staff who work directly with business, e.g., business services reps and most DSBO and DBD staff. These staff serve as concierges two days per month. Typically, companies connect to the service through referral by BAC staff, but they also may request the service on their own.

The new mayor's effort to build a demand-driven, customer-focused system by merging city agencies provided a key opportunity for the workforce development agency (DWD) to accelerate its own internal process of reorganization, as well as renew its commitment to sector-based development.[38] In late 2000, the previous workforce development agency, MOWD, had created an Employer Services Division (since renamed the Business Services Division) to better integrate economic and workforce development. The Division was composed of six employer specialists, who were assigned to work with selected industry sectors, as well as with Economic Development Specialists within the economic development office (MOED/IT). As part of a collaborative effort, MOED/IT staff attended weekly meetings of the Employers Services Division and included Employer Specialists at the table during business recruitment and expansion negotiations; in turn, the Employer Specialists assisted MOED/IT staff at economic development events and made presentations on the skills of Denver's workforce during employer site visits.

[37]Mayor's Press Release, January 20, 2005, see http://www.denvergov.org/mayor/1688press.asp.

[38]In addition, the Denver WIB recently completed a Strategic Plan that urges closer alignment between the work of DWD and the office's other divisions.

While the Employer Specialists built close ties with their economic development counterparts, they failed to do so with workforce development staff in the Workforce Centers, resulting in weak connections between employers and the one-stops. In part, this was due to poor training and different missions: Employer Specialists had begun treating businesses as customers while one-stop staff continued to focus on job-seekers.

To address this disconnect, the new DWD has begun a process of restructuring its business services function. Specifically, it is merging the Business Services Division with the Divisions of Business Development and Small Business Opportunity to become a single, integrated business function within the larger office. OED has begun cross-training a new set of business services reps to work with staff from the other divisions (and to replace all former Employer Specialists).[39] Located in the Workforce Centers, the Business Services Reps will serve as a key interface between the workforce and economic development divisions.[40]

To address this disconnect, the new DWD has begun a process of restructuring its business services function.

The DWD also has used the occasion of OED reorganization to upgrade MOWD's sectoral development efforts. MOWD had targeted a number of industry sectors, including energy, childcare, warehousing/transportation, high-tech/telecommunications, long-term care, and construction/environment. It also received State WIA discretionary grants to support initiatives in the health care, hospitality, and printing/publishing sectors. Due to the 2001 economic downturn and the events of 9/11, however, MOWD failed to generate adequate employer support for its initiatives, except health care. Encouraged by the priorities of the incoming mayoral administration and recent signs of economic recovery, the newly created DWD decided to rethink its sectoral approach and choice of targeted sectors. It hired a consultant from a national consulting firm, specializing in development of industry sector and cluster strategies to lead the reevaluation process. DWD also has sought

[39]All of the former Employer Specialists have been reassigned to new positions within OED, including the Human Resources Division, the Division of Business Development, the Workforce Center located at the Denver International Airport, and the newly created Business Assistance Center.

[40]DWD also is working with the Division of Housing and Neighborhood Development (DHND) to devise a plan to better connect workforce and economic development functions with housing and community development services. One proposal directs Business Services Reps to meet with companies seeking business expansion loans under DHND's Small Business Lending program and to assess their workforce services needs.

to expand and improve several ongoing sectoral training efforts, as well as create new ones (see Section V for a description of these programs).

Specifically, the office developed an ambitious contact management system designed to track all outside contacts with the office.

The absence of a computer database serving all OED divisions presented yet another opportunity for the new office to enhance the integration process and promote administrative efficiencies. Specifically, the office developed an ambitious contact management system designed to track all outside contacts with the office (e.g., by community-based organizations, universities, employers, minority-owned businesses or other government agencies), based on the nature of the entity's relationship with OED and the services that OED renders. The system aims to improve the four divisions' ability to coordinate assistance to customers; to prevent duplication of services; and to promote efficient follow-up of companies receiving concierge services. For example, a U.S. export agency representative recently called OED on behalf of a Chinese company that was interested in opening an office in Denver; the company was visiting the city and had a question concerning a regulatory matter. Before initiating efforts to assist the company, the OED staff member input its name in the database, and within minutes ascertained that OED had spoken to the company earlier, and answered its question.

There appears to be uncertainty among some front-line staff regarding the nature of their new roles, as well as a concern that employees hired to perform specialized functions may no longer possess the skill–sets necessary.

Major challenges to OED's reorganization effort involve staff's ability to adapt to changes in agency functions, and leadership's ability to merge the office's programmatic functions. There appears to be uncertainty among some front-line staff regarding the nature of their new roles, as well as a concern that employees hired to perform specialized functions may no longer possess the skill–sets necessary for serving the office well. This concern has grown as the office embraces a more "generalist" and teamwork-based approach to economic, workforce and community development. That is, staff not only must understand the office's diverse programs and become fluent in a wider range of development topics; they also must become proficient in coordinating cases with staff from different divisions and in transferring cases to the appropriate division, whenever beneficial to the customer. Ongoing staff training in office mission, vision, and structure thus is essential. OED already has conducted several office-wide trainings to familiarize staff with the range of OED services and has instituted a series of cross-training programs for staff most involved in linking different parts of the system (e.g., the business services representatives). In addition, OED division heads are developing a "grassroots strategic plan," which builds on the original strategic plan for the consolidation. The new plan seeks to involve all OED staff in the process of revising and updating implementation activities and policies.

Another ongoing challenge to the reorganization involves OED's efforts to merge its programmatic functions smoothly and effectively. In charge of determining how best to undertake this process is the newly minted Policy Group (described above), which brings considerable talent and resources to bear on the larger questions of organization and program design confronting OED. The Policy Group also has undertaken several cross-divisional projects involving staff from all four divisions, in an effort to foster OED's capacity to address issues holistically. For instance, the Policy Group currently is formulating criteria by which to select the next set of targeted neighborhoods eligible to receive grant funding under a neighborhood revitalization program. In particular, it is assessing the desired mix of activities and programs to include within the targeted neighborhoods. Because the mix may span the range of OED activities, such as workforce training, small business loan provision, and housing redevelopment assistance, the exercise constitutes a prime opportunity for the entire OED staff to work together on a crucial development activity. Moreover, as staff from workforce and economic development rarely worked directly with housing and neighborhood development staff prior to the merger, the exercise suggests the potential for OED to realize significant value-added from the merger of all four development functions.

V. Impacts

Committed to the idea that benchmarking progress is essential for program success and sustainability, the OED director has instructed the Policy Group to begin developing evaluation criteria by which to measure the new office's efforts towards integrating workforce and economic development. He also has enlisted the help of all OED staff in formulating goals to serve as benchmarks, which goals might include: the development of new funding sources for economic development, a New Market Tax Credit allocation, and creation of a local community development bank to leverage CDBG funding.

At present, OED staff point to a number of accomplishments suggesting that the reorganization has strengthened the new office's capacity to build a demand-driven system, benefiting its dual customers. The creation of the Business Assistance Center, for instance, has improved staff's ability to respond to business needs. Also, the OED is better able to coordinate its efforts with those of the city and region, which promises to improve the office's ability to build a successful industry sector approach. Finally, the OED has formed an innovative partnership to help Denver high school students pay for college by providing them with low-cost student loans.

BAC staff ascertained that the company would need to hire 100 new employees and immediately connected it to the appropriate Workforce Center for hiring assistance.

Business Assistance Center/Concierge Services. Although a very new entity, the BAC has completed two monthly reports documenting its services and describing success stories.[41] These stories seek to capture the synergies that can be achieved through program integration, as well as demonstrate the system's ability to serve business needs while generating jobs for Workforce Center customers. In one story, management staff of a company that was set to open in Denver accessed the OED through the BAC "gateway" in order to obtain assistance with permitting. BAC staff ascertained that the company would need to hire 100 new employees and immediately connected it to the appropriate Workforce Center for hiring assistance. In other recent cases, two companies accessed the BAC to obtain training assistance, and staff connected them to the Workforce Centers for help hiring 10 to 15 new employees.

As noted earlier, lack of proper staff training and insufficient organizational incentives undermined the motivation and ability of MOWD staff to connect employers with the Workforce Centers. In creating the BAC and concierge services, the OED has signaled its commitment to creating and sustaining a system of integrated business assistance. In addition to leveraging additional funding for BAC operations from its divisions and outside partners, OED provides ongoing staff cross-training and draws on the support of a range of OED staff through Concierge Services (the team of 30 employees from different divisions who serve as liaisons for companies requiring additional assistance or having difficulties resolving problems with other city agencies).

[41] The BAC reporting system documents the number of customers served (e.g., 522 as of March 2005) and tracks customers according to whether they are (among other things) one-time or continuous, Spanish-speaking/other language, and minority- and women-owned businesses. It also tracks the number of referrals to an OED Concierge (or other entities), as well as the entries in OED's new contact management database system.

Sector-Based Initiatives. The DWD manages several sectoral initiatives, some begun under previous administrations, as well as other new ones. Current initiatives include the following:

- An apprenticeships-in-printing program, which has trained 50 individuals to succeed in the industry and to avert layoffs, and implemented a redesigned apprenticeship for the industry
- A retail management career ladder program, which seeks to grow a qualified, trained workforce at Denver International Airport
- A clerical health care career ladder program, which has trained approximately 120 employees at various hospitals in a range of programs, such as team lead training, medical terminology, and keyboarding classes
- Training for entry-level and incumbent workers in several different health care career ladders (foreign trained nurse to registered nurse, certified nursing assistant to licensed practical nurse, medical assistant to licensed practical nurse)
- A 16-month entrepreneurial training initiative, which provides information on researching and writing a comprehensive business plan. The program has enrolled 90 individuals to date and ended June 2005

In the past, the workforce development agency's choice of targeted sectors often failed to coincide with the needs of businesses and the local economy, or with sectors chosen by the economic development office. As a result of the merger, OED staff claim, DWD is better equipped to undertake strategic efforts to prioritize services based on targeted high-wage, high growth industries. The OED is considering ways to align the work of its energy cluster with those of the city, having recently led a trip with the mayor to Canada to promote its energy trade with Colorado and to encourage Canadian oil and gas companies to invest in the Denver area. The OED also is closely tied to sector/cluster efforts at the regional level, as co-founder and advisory committee member of the Metro Denver Economic Development Corporation (the region's public-private economic development partnership), which has an active cluster program. Ultimately, the OED expects to leverage the city's commitment to creating jobs and improving the business environment into increased support for OED sector and other programs.

The merger has enhanced DWD's ability to coordinate its sector efforts at the agency level.

Second, the merger has enhanced DWD's ability to coordinate its sector efforts at the agency level. For instance, the DWD worked closely with the Division of Business Development to establish its entrepreneurial training initiative (see above), and select agencies to provide the training. DWD also is working with DBD in the design of a follow-up to the Business Retention Survey that OED administered in 2004. DBD originally intended to target for outreach only those companies that the survey identified as capable of expanding, but DWD is urging the division to further refine its outreach efforts by limiting them to those companies that fall within certain high-wage, high-growth sectors.

CollegeInvest Mile High GRADS Program. Concerned about relatively low college matriculation rates among Denver students, an interdisciplinary group within OED devised a unique plan to use private activity bonds (PABs) to fund a student loan forgiveness program (Mile High GRADS). Launched in March 2005, the program partners Denver with CollegeInvest, Colorado's not-for-profit higher education financing resource, to offer Denver public school graduates (or students with a GED) up to $1,500 in student loan forgiveness upon their completion of a college degree.

OED staff contend that the GRADS program likely would not have occurred absent the reorganization, for several reasons. First, PABs traditionally are used as a real estate finance tool, and not for human capital development. The idea to employ them for an alternative purpose emerged in an OED planning meeting attended by staff from multiple disciplines. With many voices in the room, a discussion about the difficulty of using PABs in the current real estate market broadened to a discussion of the tool's potential value beyond real estate. Second, PABs are a valuable resource typically under the purview of the Division of Housing and Neighborhood Development (DHND). The fact that DHND is part of the same organization as DBD and DWD reduced what might have been "institutional protectiveness" of the resource on DHND's part, and facilitated cooperation between the divisions. Finally, to obtain political approval of the new program, its sponsors had to convince the City Council that it would not have a negative impact on the city's affordable housing programs. Having staff from both DHND and DBD testify about this issue before the Council was instrumental to the program's passage.

VI. Lessons Learned

The particular path that OED followed in merging the four city agencies—a first stage of physical integration, a second stage of administrative integration, and the current stage of programmatic integration—has bestowed both advantages and disadvantages on the reorganization process. Among the benefits of the "staggered, phased" process is that it afforded staff sufficient time to adjust to the changes and begin working together as a team, which has helped build staff support for the merger. In addition, the administrative reorganization promoted organizational and financial efficiencies, thus securing successes early on. Arguably, however, these initial successes represented no more than low-hanging fruit; the office's ability to successfully merge programmatic functions will be the integration effort's true test. Moreover, the slow nature of the integration process has frustrated some staff, who felt that the office might have accomplished more to date had the process been less staggered and linear and more bold and fast-paced.

> ***[The] reorganization plan that it pursued has helped the office realize synergies that it likely would not have realized had the mayor decided merely to co-locate the four agencies and charge them with coordinating functions and services.***

Over the last several years, as noted, the city of Denver has taken various steps to align economic and workforce development, such as pursuing sectoral initiatives and coordinating the efforts of several workforce development and economic development staff. Accordingly, it is possible to seek organizational alignment without undertaking a merger of agency functions. Nonetheless, OED staff stress that the particular reorganization plan that it pursued has helped the office realize synergies that it likely would not have realized had the mayor decided merely to co-locate the four agencies and charge them with coordinating functions and services. In their view, the primary advantages to merging are four-fold:

- *Greater accountability.* Staff members report to only one director, not four.

- *Consistency.* Staff members seek to advance one broadly defined mission, not four separate missions.

- *Greater resources under one roof.* For instance, the Housing and Neighborhood Development Division brings vast resources to the table; while many funds are earmarked for specific programs, the broadening of the workforce, economic and housing development functions allows for greater cross-fertilization. In addition, the reorganization promotes the realization of fiscal efficiencies.

- *Holistic thinking and improved problem-solving.* The expanded agency mission and the implementation of cross-training encourages staff to think holistically about development- and business-related issues, and increases staff's interest in learning about the range of OED projects. Importantly, the new office's capacity to bring different voices and types of expertise to the table also promises to enhance organizational learning and problem-solving.

Case Study—New York City

Department of Small Business Services

I. Background

New York City is comprised of five boroughs, 59 community districts, and hundreds of neighborhoods. With more than eight million residents living in just over 320 square miles, it is not only the most populous city in the United States, but one of the most densely populated (an average of 26,000 residents per mile).

New York City is a center of economic and cultural activity. Its gross metropolitan product was estimated in 2003 to be $488.8 billion, the largest of any city in the United States and the sixth largest if compared to any U.S. state. If it were a nation, the city would have the 16th highest gross domestic product in the world, exceeding that of Russia ($433 billion). Though this value has been as high as ten percent of the United States' GDP, in the last ten years it has been around 4.5 percent, fluctuating only recently. The per capita income for the city is $22,402. About one-fifth of the population and 30 percent of families with children live below the poverty line, challenged by the city's high cost of living, especially with regard to affordable housing. Low vacancy rates for rental and home owner units, and high and rising sales prices across the metropolitan area, combine to make it difficult for middle income households to remain as the base of the local workforce.

The racial makeup of the city is 45 percent White, 26 percent Black or African American, 10 percent Asian, 14 percent from other races, and 5 percent from two or more races. Twenty-seven percent of the population is Hispanic or Latino of any race. Of the 2.9 million foreign-born living in the city in 2000, 43 percent immigrated to the U.S. in the preceding ten years. Among large American cities only Los Angeles receives more immigrants, but immigration to New York is considerably more diverse.

The growth of New York City's economy since the mid-1990s has increased the demand for labor, ranging from entry-level workers with limited skills and experience to highly skilled professionals.

In addition to the many corporate headquarters housed in New York, the city is also home to more than 200,000 small businesses.[42] As a leader in such diverse industry hubs as fashion, advertising, theater, publishing, and finance, New York City attracts the best and the brightest from across the country. In fact, New York is one of the few east coast cities experiencing a population increase in recent years, despite the events of September 11, 2001, and the recent economic recession.

Educational attainment has improved substantially in the city since 1990. With over 85 institutions throughout the five boroughs, New York has the highest density of ost-secondary institutions in North America. The share of New York City residents with a high school diploma or higher rose to 72 percent in 2000 (up from 68 percent in 1990).

II. History of Agency Reorganization[43]

Throughout the 1960s and 1970s, the Department of Employment (DOE), which had responsibility for workforce development, was a relatively small agency within the Human Resources Administration (HRA). HRA—the city's welfare agency—directly received federal funds for employment training. When Mayor Koch was elected in 1978, he aimed to tighten control over social service agencies like the HRA, to align their work more closely with the interests of City Hall. During his tenure, Koch reorganized DOE and appointed two strong commissioners who brought a significantly increased budget that included hundreds of millions in CETA (Comprehensive Employment and Training Act) funds for public service employment, and greater accountability to the agency.

However, in the early 1980s, the city began losing federal workforce funds and in 1985 HRA was the subject of a series of scandals relating to several well-publicized eaths in the city's child welfare system. An independent panel, the Commission on Human Resources Organization, was formed and recommended that DOE be separated from HRA so that HRA could attend to its affairs without the distraction of managing DOE.

[42]Small business is defined as fewer than 100 employees.

[43]Neil S. Kleiman provided historical context for this section in his unpublished research paper and in conversation with the author, Spring 2005.

Between 1985 and 2003, the appointment of commissioners with little or no background in workforce issues led to uneven performance and lower priority placed on the agency's work. Throughout this period the agency had only one commissioner out of five that had prior expertise in the area of employment services. Commissioner turnover was also high; each appointee averaged just 2.7 years. Workforce issues were not high on the public agenda, suffering from a fractured approach that scattered resources across multiple agencies and making little connection to the needs of the private sector.

Between 1999 and 2002, authority and oversight over adult workforce development funds were transferred from DOE back to HRA. The WIA gave New York an opportunity to restructure its services and to build stronger connections to employers, but HRA did not use the opportunity to broaden its scope to universal access service provision. Instead, the agency continued to target the welfare population with federal adult training funding supplementing Temporary Assistance for Needy Families (TANF) funds. HRA, driven by the mandate to place welfare recipients into jobs and shrink the welfare rolls, treated job training as a social service.

HRA was criticized for its lack of responsiveness to the WIA authorization and an inability to spend WIA allotments. By the summer of 2001, over $150 million in unused federal WIA dollars had piled up, and state and federal government officials began threatening to revoke the city's funds.[44] The Workforce Investment Board was still not an active body and there was only a single one-stop center serving all five boroughs of New York. The city awarded federal workforce training funds to nonprofits, community colleges, and unions offering a range of training services. Employers were not drivers of the training provided and were largely ignorant of, indifferent to, or occasionally hostile to the system.

With the 2001 election of Mayor Bloomberg, a successful business leader with a commitment to shaking up business as usual in the city, workforce development was given new life as a means of revitalizing the economy and creating additional opportunities for job seekers. During the campaign, Bloomberg promised to create

[44]Fischer, D.J., N.S. Kleiman and J. Alssid. Rebuilding Job Training from the Ground Up: Workforce System Reform After 9/11. New York City: Center for an Urban Future, August 19, 2002.

a comprehensive workforce and economic development plan for all five boroughs to bolster business districts beyond those in mid-town and downtown Manhattan. In response to the lack of spending and the threat of funds being reclaimed by the state and federal government, the new mayor moved the adult WIA funds back to the Department of Employment in 2002. The mayor wanted to revitalize the central city; DOE would provide workforce services in support of job growth in key sectors.

While DOE made some progress by spending down the federal workforce dollars—mostly through the issuance of training vouchers—and by opening additional one-stop centers in Manhattan and the Bronx, the organization failed to achieve significant results. Seeking a large scale overhaul, the mayor boldly included the elimination of the DOE in the FY 2004 executive budget; the city council approved the restructuring.

The mayor's office decided to assign the youth portion of the WIA funding to the Department of Youth and Community Development. This seemed so obvious that there was very little debate. As to where the adult portion of WIA would be moved, there were two options on the table: It could be returned to HRA which had overseen workforce services just prior to DOE or merged with the Department of Small Business Services (SBS).

SBS was the clear choice in that it was a business-oriented government agency and had strong leadership and staff capacity. Additionally, under Mayor Bloomberg, SBS had already repositioned itself to better serve the needs of the 200,000 small businesses in New York City. SBS had undergone a complete turnaround focusing on building relationships with intermediaries such as Business Investment Districts, Chambers of Commerce, Local Development Corporations, and economic development partners like the Economic Development Corporation.

When first approached by the mayor's advisor about moving WIA funding and staff into SBS, the agency commissioner was reluctant. He had just led a yearlong agency restructuring process and was hesitant to take on another area of responsibility—especially one that had traditionally been viewed as a social service. SBS operated like a start-up, priding itself on its service quality and business-oriented approach and the commissioner had no prior experience overseeing workforce development.

Workforce, on the other hand, was a large bureaucracy, staffed by 100 people with a budget seven times the SBS budget. The commissioner knew it would be a challenge to lead change not only with the staff within the DOE bureaucracy, but also with vendors contracted to staff the one-stop centers.

Eventually the mayor's office convinced the commissioner to broaden the SBS mission. Because he had a neighborhood development background, the commissioner understood the impact workforce development services could have in helping employers fill job openings. And he saw an opportunity to change employer perceptions of a government-operated job service.

With the directive from the mayor to shed the old image of a social service agency and build a sensible, easy to access, business-friendly workforce system, SBS had a new sense of urgency. Under pressure to show results, the merger of DOE and SBS took place in July 2003.

III. Organizational Structure

The transfer of workforce services to SBS included moving program responsibility from the Deputy Mayor of Operations to the Deputy Mayor for Economic Development and Rebuilding, an individual appointed not only to re-build Lower Manhattan but to enact the Mayor's five-borough economic development strategy. As a result, almost immediately workforce development was put into the context of employer needs, raising its profile and political support. SBS moved quickly to design a coherent approach integrating workforce development into the overall agency workload.

SBS brought in outside expertise to help shape a new vision and mission. The Parthenon Group, a corporate management consulting firm with SBS experience, helped SBS assess its internal capacity. The agency turned to the Corporation for a Skilled Workforce when it needed industry and policy expertise. Finally, the New York State Department of Labor was very supportive of the change in command and provided resources in order to help agency staff get up to speed on effective system-building approaches.

The mission statement was revised to the following:

> "The Division of Workforce Development spurs business growth and economic development by helping businesses hire and train qualified New Yorkers. NYC Workforce1 Career Centers, located in each of the five boroughs, are the foundation of this activity, providing New Yorkers with professional employment and training services that prepare them to succeed in their job searches and careers. Professionals at our Workforce1 Career Centers work directly with businesses looking to hire, and link job seekers to employment opportunities in the City's growth industries."

SBS convened a strategic planning session, the outcome of which was a blueprint outlining 12 organizational goals delineating desired outcomes, timelines and responsibilities. The strategic plan gave SBS leadership a road map to guide the re-organization and to help smooth the absorption of new staff and funding.

The commissioner moved former DOE staff who had worked previously in isolation at the notoriously bureaucratic offices located at 220 Church Street to SBS office space at 110 William Street, a very professional setting which encourages transparency and openness among staff.

An entirely new management culture was instituted that emphasized transparency, data systems, results, and continuous improvement. In an effort to develop an open pipeline of communication, the management team began meeting weekly. Senior level staff were held individually accountable for setting goals and then directing resources and tracking progress towards those goals. Staff evaluations and promotion decisions were restructured in line with the new organizational mission.

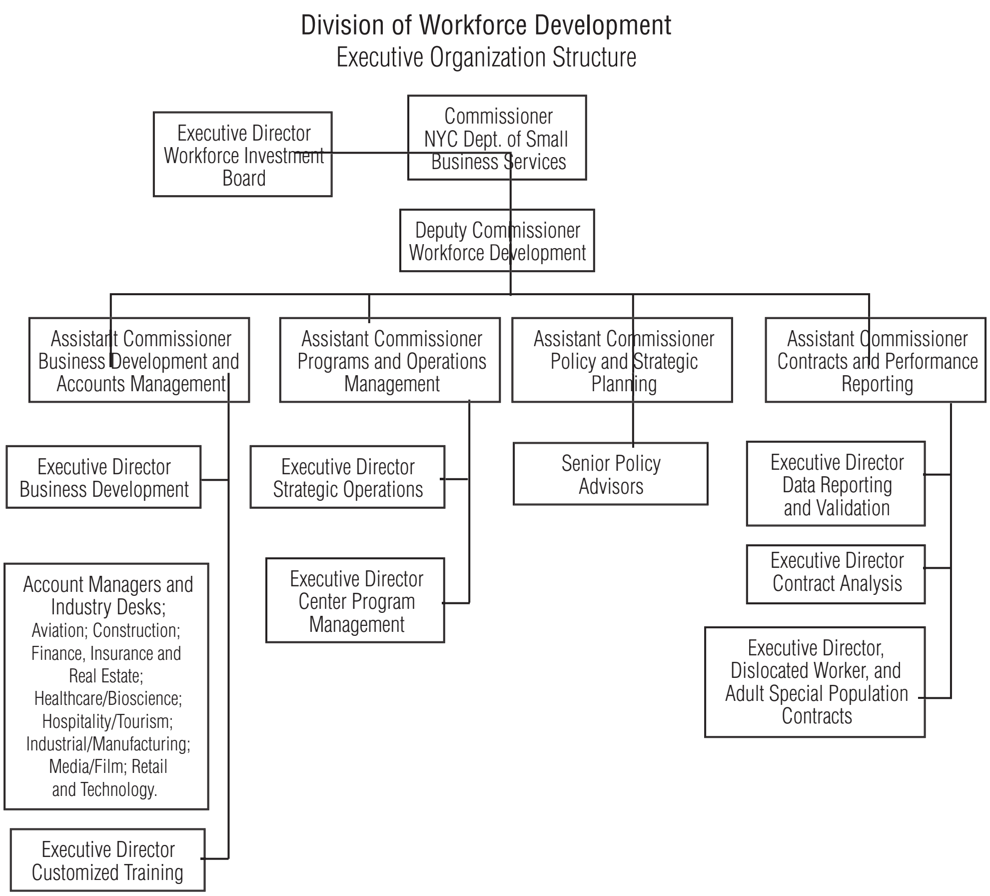
An entirely new management culture was instituted that emphasized transparency, data systems, results, and continuous improvement.

Whereas the DOE structure had been almost an afterthought, SBS purposely organized staff into a Division of Workforce Development overseen by a Deputy Commissioner with four units, each led by an assistant commissioner:

- One-stop systems management
- Workforce policy and planning

- Business development and accounts management
- Contracts and performance reporting

Division of Workforce Development Executive Organizational Structure Chart



While some employees chose to leave after the merger, most staff stepped up to the challenge of reworking an unfocused and unstructured system. Neither DOE nor HRA had been able to clearly define a mission, leaving the employees scattered and unproductive. Oddly, this absence of philosophy made the SBS merger somewhat easier in that belief systems did not need to be changed, just clarified. The staff was grateful to finally have a philosophy to guide their work. When given a challenge and a purpose, the majority of staff rose to the occasion.

SBS's sister agency, the Economic Development Corporation (EDC), is responsible for attracting large businesses and spearheading economic growth in each of the five boroughs. EDC leadership and staff saw an immediate improvement when SBS took over responsibility for workforce development. When DOE had controlled federal workforce dollars, EDC found it very difficult to incorporate workforce development initiatives into targeted retention and attraction packages for firms because DOE had no strategy for dispersing those funds. SBS, with its business orientation, operates on a sector-based approach like EDC and SBS staff are "at the table" sooner during discussions with targeted firms. The two organizations regularly exchange information on potential clients and work together to identify employment and training opportunities and projects in key industries.

When SBS took over, five years after the passage of the Workforce Investment Act of 1998, New York City still lacked a fully developed one-stop system. One contractor handled all the one-stop sites and workforce development services took a one-size-fits all approach. The emphasis was on compliance rather than growing jobs and providing innovative and wide-ranging services to job seekers and employers. What performance data they had was dated and unused because there was no automation of data collection. The city had a credibility problem with employers who did not consider turning to the government for workforce services.

Within 18 months, SBS, in partnership with the state Department of Labor and the City University of New York (CUNY), put in place five one-stop career centers (branded as Workforce1 Career Centers) one in each of the City's boroughs: Manhattan, Queens, the Bronx and Brooklyn, and Staten Island. Two others at CUNY sites opened in the summer of 2005 to complete the network. SBS directly employs the executive directors of the Workforce1 Career Centers. In addition to the cultural shift being led within the agency, SBS had to convey a new set of expectations to the vendors staffing the front lines of the Workforce1 Career Centers. In April 2004, SBS signed new contracts with its Career Center vendors. While the competitive vendor selection process started before the DOE and SBS merger, SBS made it clear to candidates that vendors would be held accountable for connecting job preparation, positioning, and training to employer needs (as measured by job placement numbers). Vendors are engaged in detailed planning sessions and are expected to articulate to SBS their job placement strategies.

SBS, for its part, has instituted a number of operational enhancements to reduce bureaucratic hurdles, improve jobseeker customer service, and maintain a focus on outcomes. SBS invested in technology and tools in its Workforce1 Career Centers designed to help speed customer enrollment, track and count customer flow, minimize paperwork, match job candidate resumes and skill sets to businesses that are hiring, and empower the jobseeker. Data captured through these tools are shared in a public format in bi-weekly meetings with vendors to review qualitative and quantitative performance data across centers and to discuss how each vendor would connect more people to jobs. SBS holds quarterly reviews with all vendor CEOs to share performance data, best practices, and plans.

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SBS also has devised a separate brand for marketing workforce services to employers —NYC Business Solutions—which is coordinated with behind the scenes and often co-located with the Workforce1 Career Centers.[45] Using WIA dollars and funds from a city tax levy, Business Solutions offers assistance not only with hiring and training employees, but also financing, working with government regulations, finding real estate, accessing incentives, selling to the government, and more. Businesses can visit a location, call the 311 city assistance call center line, or log on to the web. Business Solutions staff are held accountable for the number of job openings referred to the Workforce1 Career Centers. With Business Solutions help, Career Centers will collectively secure an estimated 1,000 additional job leads a year.

Additionally, SBS immediately took action to strengthen the city's Workforce Investment Board. The mayor appointed several leaders of influential New York

The mayor appointed several leaders of influential New York City-based employers to the Board.

[45]In Brooklyn, for example, Business Solutions are administered by the Brooklyn Chamber of Commerce while one-stop's operations are administered by Goodwill Industries.

City-based employers to the Board. A dynamic new executive director (formerly a regional U.S. Department of Labor administrator), first-rate staff additions and a new management focus all served to energize the WIB. The WIB redefined its role and now focuses on policy and strategy formulation, quality control, marketing, and resource coordination. A strong committee structure guides the work of the WIB:

- Executive Committee leads the WIB committees, tracks plan progress.
- Strategic Planning Committee leads key strategic initiatives.
- One-Stop Committee provides oversight for the one-stop system.
- Training Committee provides oversight for all training initiatives.
- Youth Council provides oversight of WIA-funded youth programs.

IV. Opportunities and Challenges

SBS had years of neglect, underdeveloped policy, and a budget crisis to overcome. While the SBS Commissioner lacked a workforce background, he had a big picture view of how workforce development services fit with economic development. It took about six months to clarify the vision of how to integrate federal workforce program requirements and opportunities into the agency mission effectively at an operational level. Enhancing workforce skills, and helping businesses find the right people as a means of advancing economic development, motivated this effort.

While there were many areas for improving workforce system delivery in New York City, SBS leaders knew that it would take time to convince the private sector to seek job placement and training services from the city. SBS very purposefully targeted a few key large employers in growth industries, offering a relatively straightforward package of workforce services: hiring assistance and training, and jobseeker services designed with business needs in mind. By demonstrating its capacity to locate strong candidates who stay on and succeed in their jobs, SBS gains the confidence of business, gets repeat customers, and builds its reputation as a worthwhile service provider. In securing early wins, SBS built knowledge of how to enhance credibility with customers and how to bring its services to scale more effectively.

For example, the Brooklyn Workforce1 Career Center has helped over 20 businesses hire new employees at the Atlantic Terminal Shopping Center which sits atop the largest transportation hub in Brooklyn and is used by 40 million people a year. One of the Career Center's biggest clients is Target Stores. When Target announced that a new retail location in the Atlantic Terminal would need to hire 300 people, the company received more than 10,000 resumes. The Brooklyn Center solicited Target's business by offering applicant screening, which resulted in more than 100 job placements, with two out of three hires residing in Brooklyn. Many of those not hired by Target are considered strong candidates for other retailers in the city. SBS continues to work with Target providing on-going job placements (in managerial and non-managerial positions) and promoting job growth and career ladder opportunities for its entry-level employees. SBS partners with the National Retail Federation Foundation and uses an employer-designed skills assessment to identify staff who are qualified and ready to be moved up the career ladder, thereby freeing up entry-level positions to new hires.

The Brooklyn Workforce1 Career Center has helped over 20 businesses hire new employees at the Atlantic Terminal Shopping Center which sits atop the largest transportation hub in Brooklyn and is used by 40 million people a year.

Like its counterparts in many other cities, the WIB is pursuing a sector-based approach to identify and address job training and employment needs. This demand-driven system allows for targeted use of resources where the WIB can have a measurable impact and creates a structured and repeatable engagement model. For example, the WIB Strategic Planning Committee is currently developing targeted initiatives with healthcare/biotechnology (the second largest sector by employment with high, steady growth expected) and hospitality/tourism sectors (the fourth largest sector by employment, with long-term growth expected). The WIB, in conjunction with the New York Funders Group (a collaboration of private foundations), issued three-month planning grants to the SUNY Downstate Medical Center and the Metropolitan Jewish Council to develop health care industry programs.

In 2004, the city had to halt the distribution of Individual Training Account vouchers (ITAs) when a review by the WIB determined that 64 percent of ITAs issued were not in demand occupations.

Despite its successes in re-engaging the business community, SBS is still trying to fashion an effective, city-wide system from a series of unfocused and often disconnected services. In 2004, the city had to halt the distribution of Individual Training Account vouchers (ITAs) when a review by the WIB determined that 64 percent of ITAs issued were not in demand occupations. With more than 400 approved providers and

4,000 courses available to job seekers, the WIB insisted on a better assessment of job demand. After instituting tighter requirements limiting ITA distribution to classes that lead to job placement in growing sectors and occupations, SBS has resumed issuing ITA vouchers. Systems are now in place to monitor ITA voucher distribution weekly. Training providers with lower than 50 percent placement rates are suspended from the approved provider list. SBS is also instituting cost and quality control procedures, conducting qualitative customer surveys, and helping Workforce1 Career Center staff to expand the range of training options available to clients in addition to ITAs.

In less than two years, SBS has made tremendous improvements in bringing efficiency, focus and accountability to the City's long-neglected workforce development system. But its leaders are the first to point out that there is much more work to be done. In addition to continuing to improve Workforce1 Career Center performance, strengthening the role of the WIB, and engaging the business community effectively, the WIB has identified many long-term goals including the following:

- Making connections with private partners as well as other key partners in the system (such as Wagner Peyser, educational loan programs like Pell Grants, and New York City Housing Authority training programs) to broaden services, leverage funding and increase SBS flexibility.
- Certifying a select group of organizations to be Affiliates within the one-stop system that could offer a scaled down set of services to key geographic areas or populations.
- Working more closely with the Department of Youth and Community Development to better coordinate adult and youth workforce services.

V. Impacts

It's no surprise that SBS credits its emphasis on offering a range of business services as a key to achieving the key to its successes in business attraction and recruitment, business retention and expansion, and the development of new jobs.

As stated earlier, SBS is building on its customized large-scale initiatives, like the work done for Target Stores, in hopes of replicating its success and expanding job placements throughout the city. Following Target, SBS chose to actively market other service-oriented industries, such as airlines that need to fill customer service positions throughout the city. JetBlue, a recent arrival in the highly competitive airline industry, was targeted for attraction and agreed to develop major operations out of both JFK and Laguardia Airports in Queens. The airline knows that having the right people on staff is critical to its ability to expand. The company anticipates growing from 3,000 employees in New York to 10,000 by 2010, making it one of the only U.S. airlines experiencing significant growth. JetBlue turned to SBS when it was faced with sifting through 200 resumes every time it needed to make one hire in New York. By working with the company to define the characteristics and competencies looked for in a jobseeker, SBS was able to use this information to screen and identify potential candidates based on resumes and worker profiles. Candidates are prepared, trained, and screened at Workforce1 Career Centers throughout the city. The ratio of recruits to hires has been reduced by more than 95 percent.

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In a similar example, FreshDirect, a popular on-line grocery delivery service in Long Island City, Queens that is expanding market share quickly, sought out SBS services when it wasn't able to find quality employees to fill job openings. With recruit to hire ratios as high as 20 to 1, FreshDirect asked SBS to design a recruitment program that would match qualified jobseekers from Workforce1 Career Centers to available job openings, thus saving the company time and money. SBS was able to place many jobseekers with serious language barriers into employment with FreshDirect, since many warehouse jobs do not require fluency in English. FreshDirect now hires one out of every three job candidates SBS sends its way.

Recognizing an opportunity to retain a huge employment base within the city, the Workforce1 Career Center is partnering with Hunts Point Economic Development Corporation to recruit employees for the Hunts Point Food Distribution Center and the newly relocated Fulton Fish Market in the Bronx. The new market will be 40,000 square feet larger than Fulton market and create almost 200 additional jobs, for a total of nearly 1,000 jobs. The 167-year old fish distribution center is expected to bring in more than $1 billion in new economic activity to an area that has registered an unemployment rate of 23.8 percent, the highest in New York City. All 55 vendors

The relocation therefore helps ensure the City's long-term retention of the wholesale seafood industry and promote growth of the food manufacturing industry.

currently located at the Fulton market have agreed to move to the new market at Hunts Point. The relocation therefore helps ensure the City's long-term retention of the wholesale seafood industry and promote growth of the food manufacturing industry. SBS is providing job readiness, customer service, computer skills, and specialized training (including supervisory skills, bookkeeping and commercial drivers' licenses).

In addition to job development efforts led by Business/Workforce Partnership staff at SBS and the Workforce1 Career Centers, the agency has built a centralized ability to provide qualified candidates to businesses that seek to hire throughout the city, enabling SBS to serve more employers. Account executives manage accounts with business customers and reach out to businesses that are likely to hire from the Workforce1 Career Center talent pool. Human Resource Specialists screen applicants for referral to employers and schedule job interviews. Outreach Workers communicate job order information to Workforce1 Career Centers and other partner organizations. SBS leaders estimate that with this centralization, SBS will generate an additional 600-1,000 job placements system-wide per quarter.

This leadership from the top was critical in adroitly managing the merger, quickly assembling a talented staff, clearly defining roles, and focusing everyone involved on the same outcomes: meeting the job needs of businesses.

VI. Lessons Learned

The primary lesson from New York City is that strong leadership is needed to spark change. Mayor Bloomberg was able to use his political capital early on in his mayoral career to implement reform in a system that had languished for decades. The mayor then selected a capable and dynamic leader within SBS to carry out his vision of integrating workforce and economic development within a single agency. This leadership from the top was critical in adroitly managing the merger, quickly assembling a talented staff, clearly defining roles, and focusing everyone involved on the same outcomes: meeting the job needs of businesses. Workforce and economic development were understood to be working towards the same purpose.

This was no easy task. It took a tremendous investment of staff time and resources to build the necessary infrastructure to serve a city the size and scale of New York. SBS staff are quick to point out the significant amount of time they spent upfront simply on "problem definition." Workforce services had a long history and a significant budget, but there was a dearth of knowledge about what kinds of services were being provided, by whom, for what purpose, at what cost, and with what outcome. The new leadership therefore spent a great deal of energy just trying to gather objective data in order to have the informational foundation they needed to rebuild and measure the impact of their future efforts.

A second key lesson is that in restructuring agencies, the city was able to establish the cultural shifts necessary to effect change in a way that coordination across agencies would not have been able to accomplish. When the two agencies merged, SBS was forced to revisit its mission and focus all staff on the same goal of meeting the job needs of business. Because staff in DOE had operated without direction and a governing philosophy for so long, many of them were eager to engage in an organization that had a strong sense of purpose and came aboard with minimal or no resistance.

Thirdly, SBS leadership instituted a culture of accountability and transparency to drive change at an incredibly fast pace. With the help of outside experts, SBS frequently engaged in an ongoing effort of benchmarking and research of other cities' approaches to workforce development in order to gauge their own strengths and weaknesses. The willingness of SBS leadership to self-examine helped staff and vendors to understand the value of performance data and to accept the quality-focused management style employed by the agency. The articulation of a clear mission combined with the public use of data encourages all staff and vendor contractors to do whatever it takes to boost job placements.

SBS leadership instituted a culture of accountability and transparency to drive change at an incredibly fast pace.

Finally, SBS has completely changed the business of providing workforce services in that resource allocation decisions are driven by private sector customers' job placement needs. SBS has successfully reached out to a number of growing businesses across the five boroughs devising customized, immediate solutions to their workforce challenges. These early wins are paying big dividends as the reputation of SBS as a business responsive agency continues to grow.

The rate of change is particularly impressive. In less than two years time, SBS has completely reenergized and redefined workforce development in New York City.

North Central Indiana—

Workforce Development Strategies, Inc.

I. Background

Workforce Development Strategies, Inc. is a business led organization serving as the catalyst for workforce development in North Central Indiana. Established in 1983 as a private not-for-profit organization (then called the North Central Indiana Private Industry Council, or NCIPIC), Workforce Development Strategies, Inc. (WDSI) has a volunteer board appointed by the local elected officials in the six county region. WDSI works to maintain and increase the economic vitality of the region by developing strategies to meet business workforce needs, to improve the skills of job seekers and to provide leadership for the North Central Indiana workforce development system. The Governor of Indiana certified Workforce Development Strategies, Inc. as the North Central Indiana Workforce Investment Board in June of 1999, at the advent of the Workforce Investment Act.

North Central Indiana is a mostly rural six-county region (including Cass, Fulton, Howard, Miami, Tipton and Wabash counties) with a population of 234,000 in the 2000 Census. The region is a blend of more than one million acres of farmland with a strong concentration of manufacturing industries. In particular, Howard County (Kokomo) includes substantial employment in high-wage automotive-related manufacturing. Between 1999 and 2003, North Central Indiana lost nearly 4,000, or 20 percent, of its manufacturing jobs. Manufacturing wages per job were $51,300 in November 2001 and $51,771 in June 2003, indicating that, despite the manufacturing job losses, those remaining manufacturing jobs are high-wage. At the same time, the region is gaining lower-paying service jobs. For example, three of the top five industries in terms of job growth for the region in 2001-2002 provided average weekly wages below $400.

For many years, the region has been comprised of a two-tiered economy: some very good paying and skilled jobs (particularly in manufacturing), and other much lower wage jobs (particularly in services and retail employment). For all of the variation among the six counties in North Central Indiana, community leaders have increasingly come to understand that they have many more similarities than differences. They now know that North Central Indiana is in a global competition for good jobs, such as the best of the manufacturing jobs that form the core of the region's economic base.

Health Services is one of the most steadily-growing sectors in the North Central Indiana economy. There is a shortage of clinical workers, especially in nursing and radiology. Regional colleges, including Indiana University Kokomo and Ivy Tech Region 5, are striving to produce enough graduates to meet the growing needs for clinical workers. While average weekly wages in health care are not as high as in manufacturing, they are higher than many other service related occupations. Health Services will be a very important sector for economic growth in North Central Indiana in the coming years.

Several other industries have shown promise in the region. The growth in Information Technology industries in North Central Indiana has been strong, with a 4.3 percent overall increase in employment that outpaced the state and the nation from 1994 to 2000. However, total information technology employment was modest in 2000, and wage growth in those jobs lagged behind state and national information technology wage growth. The region has failed to attract lucrative research, development, and professional work, and has expanded only in lower-wage jobs.

Value-added agriculture (the business of creating usable goods out of the products of agriculture) grew substantially in North Central Indiana during the 1990s—26.9 percent from 1989 to 2000, although the industry pays relatively poorly, this growth rate was much higher than that seen in Indiana overall or in the U.S. At 2.1 percent growth in wages per job, value-added agriculture was greatly exceeded by the 10.1 percent growth in wages per job growth overall in North Central Indiana from 1990 to 2000.

Despite the importance of manufacturing to the region, logistics industries, including rail, road, air freight transportation, warehousing storage, and terminal operations, play a relatively small role in the North Central Indiana economy. Unfortunately, the region's isolation from interstate highways means that prospects for developing additional shipping-related industry are dim.

Local leaders recognize that there is no guarantee that North Central Indiana will be a region in which advanced manufacturing operations that can sustain good paying jobs will stay and grow. The challenge for the region is to fully embrace the notion of becoming a high skills region focused on growing employment in advanced manufacturing and other sectors that can use those skills successfully.

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Currently North Central Indiana has a solid core of firms that are systematically using advanced manufacturing practices and technologies as their approach for competitive success. Community leaders agree that supporting this direction provides a great opportunity for workforce development and economic development to support economic growth in the region. Firms taking this path will require workers with matching skills who can help build the region's reputation as a center of advanced manufacturing. To do this, it will be crucial to focus on strategies that ensure that an adequate supply of entry workers are prepared to work with new manufacturing processes and technologies effectively, and that current workers can easily access the skill building they need to perform jobs with changing skill demands. Building on the region's strength in this sector can help ensure the productivity improvements required to support the higher wages and can point to jobs and career paths that result locally in high-wage careers.

WDSI understands that a viable workforce is a vital part of economic growth in North Central Indiana and directs its efforts toward strengthening the labor force to ensure employers are matched with employees who will sustain, develop, and grow their businesses. WDSI and NCIPIC recognized that it needed to build strong relationships with the economic development organizations in its six counties in order to meet the workforce needs of its region.

In the mid-1980s, NCIPIC established an Economic Development Committee (EDC) to assess how the NCIPIC could contribute to growing the region's economy, especially in recruiting new businesses and in expanding current businesses in the region. The EDC, comprised of the directors of each county's economic development organization, made it possible for all six directors to determine how they could work together on a regional basis for the good of the region. This occurred with the underlying principle that what was good for the region would be good for the individual counties. The PIC provided small grants to each of the local economic development organizations, then convened all the directors to discuss common interests on a regular basis.

Initially the committee decided to undertake some joint marketing efforts and to share prospects when appropriate. Over the years the committee met regularly, continued the joint marketing efforts, took on additional joint projects, and determined that it was positive to work together. Although there was no formal reorganization of local government agencies, the EDC of WDSI formally serves as the umbrella organization of the six counties' local economic development organizations. Serving in this capacity has enabled WDSI to oversee regional studies, to coordinate activities, to serve as fiscal agent for workforce (USDOL) and economic development (EDA) funding, and engage in numerous other activities that benefit the region's economy and residents.

For more than 20 years, the EDC has had a verbal agreement that the counties' economic development representatives will work together, market the region together, and not compete for prospects looking at the region for possible locations.

II. History of Cooperation

For more than 20 years, the EDC has had a verbal agreement that the counties' economic development representatives will work together, market the region together, and not compete for prospects looking at the region for possible locations. This is rather unique, according to the economic developers, and has only become well-established over time. It is so embedded in the region's culture now that, as individual county economic development directors leave to take new jobs, each new director hired is invited to be a part of the committee. Today, after many changes in county economic development directors, the committee continues and has taken on a broader role than envisioned originally. The only member of the current Economic Development Committee who was there at inception is the current director of WDSI, who staffed NCIPIC at the time. The workforce staff provide continuity and historical perspective that have helped to sustain the effort over time.

In the fall of 1998, the Indiana Economic Development Council (IEDC) approached community leaders in the North Central Indiana Region regarding the creation of a region wide economic development strategy. The IEDC, a quasi-governmental agency partially funded by the State of Indiana to develop statewide economic development strategies, was pursuing grant funding from the U.S. Economic Development Administration (EDA) to financially support the creation of regional development strategies in three sub-state regions. All six counties that compose North Central Indiana including Cass, Fulton, Howard, Miami, Tipton, and Wabash agreed to pursue a regional strategy. The IEDC received the EDA grant with matching funds from the Indiana Department of Commerce, and was able to proceed with the project. Cinergy Corporation and the Northern Indiana Public Service Company (NIPSCO) also provided local financial support. The North Central Indiana Private Industry Council (NCIPIC, later known as Workforce Development Strategies, Inc.) served as the regional administrative agency for the strategy development process. The IEDC, the grant recipient, provided financial management of the project and facilitated the planning process.

This CEDS plan provided the impetus for regional development.

WDSI partnered with the economic developers in the region via the Economic Development Committee of the Board to commission a study by the Indiana Economic Development Council. The result was the 2000 Comprehensive Economic Development Strategy (CEDS) for North Central Indiana. The CEDS study argued persuasively that the region's most likely path to ongoing economic success is to grow as a center of advanced manufacturing.

This CEDS plan provided the impetus for regional development. WDSI oversaw implementation of the CEDS plan and continues to coordinate and plan for regional economic development. The region was designated as the North Central Indiana Economic Development District (NCIEDD) and received an EDA grant to aid regional development. As a result, WDSI hired a project director for the NCIEDD in June 2003. He is housed at the WDSI office and is charged with implementing the regional strategic plan as well as coordinating and marketing the region and its local communities.

The 2000 CEDS plan was updated in 2003 as part of an ongoing strategy to adjust to new priorities and issues. It justified the need for a regional strategy as follows:

> "In this age of global competition among businesses and localities, regional economies are becoming the basis of competitive advantage. Neither the State of Indiana nor any individual county represents a single economy. The state is in fact a conglomeration of twelve to fourteen multi-county regional economies. The area defined as North Central Indiana represents one of these regional economies. The six counties within the region are economically interdependent as residents frequently cross county lines to work, play, or shop for goods and services. Because of this interdependency, the economic well-being of the individual counties and communities in the region is dependent upon the competitiveness of the region as a whole to attract and retain quality businesses and residents. In turn, the competitiveness of the region is dependent on the manner in which key development issues are addressed, such as transportation systems, workforce development and environmental quality. Strategies created to address these issues must also cross county lines. Multi-jurisdictional cooperation is imperative to finding solutions to these regional problems. Without effective cooperation, regional problems will seriously hinder the competitiveness of the regional economy. Addressing issues in a regionally cooperative manner will create a more desirable and economically competitive regional economy."

The economic well-being of the individual counties and communities in the region is dependent upon the competitiveness of the region as a whole to attract and retain quality businesses and residents.

The responsibilities of the Economic Development Committee currently (per Workforce Development Strategies, Inc.'s 2003-2004 Strategic Plan) are to do the following:

- Convene leaders of the economic development community to oversee the implementation of the CEDS
- Market the CEDS in conjunction with the marketing committee
- Plan to coordinate county-level comprehensive and economic development plans and foster continued cooperation in future planning efforts
- Coordinate efforts with the regional Indiana Department of Commerce office

III. Opportunities and Challenges

The economic development directors who comprise the Economic Development Committee believe that working together makes them much stronger as a region in meeting the demands they are facing. They noted that regional meetings are a way of life in North Central Indiana. For the economic developers it makes sense for WDSI as the Workforce Board to convene and act as the neutral party bringing the economic developers, educators, and businesses together. They can determine needs and develop strategies and implementation plans to meet those needs jointly.

Business attraction continues to be very competitive. When local development officials encounter economic development organizations in nearby counties outside of North Central Indiana, no such regional cooperation exists. The work of the EDC has been institutionalized and continues to promote the regional cooperation as directors come and go. The committee provides a vehicle for each new director to immediately have colleagues who will convey the culture and dynamics of the region and provide support. All of the current economic development directors want to continue the regional approach to economic development and to working in partnership with workforce development. It provides stability and continuity in a region that has undergone considerable economic change.

The economic development directors also find working together a great way to share ideas and to learn from each other. Several of the jointly-produced products are in widespread use, for example. They cite a State of the Workforce Report ("Embrace Uncertainty, Create Our Future") that WDSI produced in 2004 as a tool for addressing issues in their respective counties. Several carry the report with them to meetings and quote from it and distribute it to various stakeholders in their communities. One economic development director has made more than fifty presentations regarding the data and its implications. All reported using data from the report with recruitment prospects as well as business expansion opportunities. Another widely-used product is WDSI's report on the Top 50 Critical Occupations in North Central Indiana. Economic developers note its importance for educational entities, students, and parents.

All reported using data from [The 2004 State of the Workforce Report] with recruitment prospects as well as business expansion opportunities.

In spite of the region's successes, new models are needed that go beyond traditional economic development activities associated with attracting new businesses. It will be critical to encourage entrepreneurship with wise investments, research, by developing university and community college relationships, and by attracting venture capital. They would like to continue to work together to create the new models that will bring future economic success to their counties and the region. There are several inherent challenges, starting with issues around differing political jurisdictions.

Not surprisingly, local elected officials sometimes do not value the cooperation needed across counties for this model to succeed. When local elected officials change, it is necessary to educate them about the advantages of this regional approach. After 20 years, it is still difficult to get all local elected officials to "buy in" to the notion that what is good for the region is good for individual counties. If a big prospect arrives on the scene, it might test the partnership. There is always a risk that some counties might become competitive and place the interests of their own county above the region's interests.

Jurisdictional issues impact working with secondary education as well as county officials. In the six-county region, secondary education is a major stakeholder—there are multiple school districts per county (with more than twenty districts total in the six counties). Successfully engaging all of the secondary schools is challenging. Many districts are very small and it is not always possible for them to participate or to modify curriculum as needed for training the emerging workforce.

Changes in state leadership can complicate local and regional planning as well. Indiana has a new Governor who took office in January 2005. It is important for the partnership to work effectively with the new Governor as well as the new Indiana Economic Development Council, the Department of Commerce, and the Governor's appointees to those bodies. The partnership now is working to position itself to take advantage of the opportunities the new leadership brings to the state.

Continuing to fund their joint activities is another challenge faced by the region. The federal EDA grant will run out in the next two years, and the partners are looking for funding to continue the wide range of activities. In part, they hope to convince local elected officials and other stakeholders to support their regional efforts financially out of general revenues, in addition to new federal and state funds that may be available.

Finally, there are occasions when having more formal relationships among the partners and stakeholders would advance the regional agenda. The key partners are looking to develop a more formal agreement or memorandum of understanding among participating counties and agencies. This would document existing understandings and arrangements, and provide continuity and stability through political and economic changes. Such an agreement would institutionalize further the relationships built and progress made in the last two decades.

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IV. Impact and Results

WDSI (in conjunction with the EDC and its partners) has achieved many notable results. A network of organizations has been created that has both increased the number of collaborative projects and the pool of funds available for regional action, contributing to a healthier business climate, competitive local firms, educational institutions offering relevant and quality programs, and increased awareness among residents about the importance of education in securing and retaining good jobs.

In the marketing area the economic development committee has shared costs and jointly marketed the region through site selection marketing events and trade shows. They established a regional website, www.inheartland.com, with local links to all of the economic development organizations in North Central Indiana.

They worked together to earn designation as the North Central Indiana Economic Development District. They produced the 2000 Comprehensive Economic Development Strategy (CEDS) and the 2003 CEDS update. They fulfilled the requirements to keep all six counties eligible for EDA funding and they applied for and received two Economic Development Administration planning grants to supplement the district's start-up (2003 and 2004). In July 2003 they hired an Economic Development District (EDD) project director who is housed at WDSI. A 2005 CEDS update is being prepared.

There were benefits even when joint efforts were unsuccessful. For instance, WDSI applied for an H-1B training grant to USDOL that fostered important relationships and built trust even though it was not funded. The process fostered an appreciation of regional advantages and enabled participants to ask and discuss the "hard questions" of one another because of their strong working relationship.

In addition to the 2000 CEDS and the 2003 CEDS update, WDSI has overseen the completion of several other very useful reports and studies including the following:

- "The Pathfinders Workforce Report" (2000)—presented data regarding the nature and extent of the underemployed workforce in the region
- "The North Central Indiana State of the Workforce Report" (2002)—highlighted the characteristics and status of the region's workforce. Economic development organizations, chambers of commerce, colleges, human service providers and other organizations have used the report in local strategic planning efforts. It spurred the creation of other publications, events, and partnerships including a new Healthcare Skills Alliance among area hospitals and postsecondary institutions, a region-wide Business 2 Business Expo, a marketing campaign about the value of lifelong training for incumbent workers and a guidebook about self-sufficiency standards to assist providers of employment and training services to better serve low-income workers and their families
- "Embrace Uncertainty, Create Our Future: A State of the Workforce Agenda for Change" (2004)—provides an agenda for change that allows for workers, students, families, businesses, economic development organizations, educational institutions, public agencies, and cultural organizations of North Central Indiana to address some of the pressing economic, workforce, and education related challenges facing the region. The report builds on the themes of the 2002 report and is a "call to action"
- "The Top 50 Critical Occupations in North Central Indiana Career Guide" (2002)—includes occupations that are in demand, are expected to grow, and have been deemed critical to the future success of the region by the area's employers. WDSI's Youth Council decided to take the occupational list

one step further and published a career guide with in-depth information about the 50 occupations including job descriptions, education and skills required, wages, available training programs, and career opportunities in the region.

Both Indiana University-Kokomo and Ivy Tech have used the State of the Workforce Reports to assist them with their strategic planning initiatives. Both entities have launched hybrid programs that combine web-based and on-site classes in order to offer more residents the opportunity to obtain associate and bachelor degrees without having to spend as much time on campus. This is an effort to appeal to non-traditional students and to assist many adults who have some college credits with getting a degree.

Finally, the Economic Development Committee and WDSI have pooled resources to purchase a business retention software system that will track business trends for employers in the region. The business retention database delivers a comprehensive analysis of company-specific and aggregate industry metrics.

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This software program will enable economic and workforce development professionals to identify and provide services for companies with a wide range of needs, from those at risk of layoffs to growing companies. WDSI will host the software retention program for use by all of the economic development organizations as well as the one stop career center partners in the six counties. Funds from both their EDA/EDD grant and the workforce board are being used for the software purchase and maintenance.

V. Lessons Learned

WDSI and its EDC provided the following insights regarding restructuring, based on their experience with the model described in this paper:

- Consider formalizing the relationship among collaborating parties as appropriate. Members of the North Central Indiana Partnership do not have a formal agreement or memorandum of understanding between the workforce board and the economic development organizations. They advise other regions interested in putting a similar model in place to start with a formal agreement. North Central Indiana's cooperative model for workforce development and economic development, with the Workforce Board being the convener, has worked well for twenty years, but a formal agreement could enhance their success.

■ These collaborative efforts take time and patience to establish, and even longer to institutionalize. The North Central Indiana model has taken twenty years to build and much of the success to date can be attributed to the trust that has been established over a long period of time. The model now simply is accepted as the "way of doing business" in North Central Indiana. It is important to start with one or two initiatives and then to gain some success from small steps (such as their regional marketing effort) rather than trying to do everything at once.

■ Cooperation is a core value of the partners who support the model. The North Central Indiana model values cooperation among the workforce board, the economic development organizations, educators, and local elected officials. Continuing education and reinforcement of the mutual benefits of cooperation, especially among local elected officials, is critical to success.

The Workforce Board can play an important convening role as a neutral partner. The economic development directors in North Central Indiana feel that WDSI has played an important and useful role as the convener for economic development organizations across the region.

■ The Workforce Board can play an important convening role as a neutral partner. The economic development directors in North Central Indiana feel that WDSI has played an important and useful role as the convener for economic development organizations across the region. They are very supportive of the workforce board and are surprised to learn that this is an unusual role for a workforce board to play. WDSI has been a valuable resource that produces excellent information, demonstrates expertise about the local labor market and how it functions, and serves as the fiscal agent and employer of record for the staff of the federal EDA grant.

■ Regionalism is valued because it provides the opportunity to access funding, to share costs, and to generate bigger impact than any stakeholder could realize alone. Stakeholders must understand the value of regionalism. In North Central Indiana many tasks can be accomplished as a region that cannot be undertaken locally, due to financial restrictions. Separately, North Central

Indiana is six small to medium size counties in a fast changing economy. Together they are a regional force capable of attracting more resources, developing more research and entrepreneurs, impacting educational entities, attracting new business and industry.

Conclusions

There is no single right path for restructuring local government to align workforce and economic development functions.

The overwhelming impression that emerges after reviewing the five communities is that there is no single right path for restructuring local government to align workforce and economic development functions. The five areas highlighted were motivated by diverse factors, and chose drastically different organizational realignments convened by and organized around different entities. They approached the task of restructuring in vastly different ways, from slowly and methodically over many years, to boldly and dramatically over a short time horizon. They employed a wide range of fundamentally sound approaches to ensure that the restructuring, once launched, would yield desired results. They focused on strategies and tactics as varied as administrative streamlining, to co-location of staff, to implementation of cluster analysis and implementation of sectoral approaches, in pursuit of the desired results.

This section addresses cross-cutting insights from the examples organized around the following categories: drivers for change, ability to change, engagement of stakeholders, the restructuring process, and the impact achieved.

Major drivers included dissatisfaction with the status quo, unwelcome public attention precipitated by questionable financial practices, and impatience with less than optimal results from existing agency structures organized around narrow functional or geographic lines.

Drivers for Change

In the five cases, we observed three major drivers that led local leaders to conclude that agency or organizational structural change was required and desired. Major drivers included dissatisfaction with the status quo, unwelcome public attention precipitated by questionable financial practices, and impatience with less than optimal results from existing agency structures organized around narrow functional or geographic lines. In all cases, these drivers inspired strong local elected or agency officials to action.

Mayor Bloomberg's arrival in New York City heralded a new approach to revitalizing New York City's economy that included elevating workforce development services as a way of promoting job growth. There was a clearly articulated sense of urgency and pressure for agencies and employees to show results. Similarly, the voters in Denver elected Mayor Hickenlooper in part on a platform of job creation, and he built on nascent alignment efforts to restructure broadly. In both cases, the mayors used political capital in order to overcome bureaucratic challenges that impeded progress.

Questionable financial practices led Montgomery County to move the workforce function into the county's economic development agency, after moving it out from county government to the local chamber several years earlier. Similarly, in Stanislaus County, local leaders took advantage of dissatisfaction with current practices and existing agency structures, as well as questionable financial arrangements, to launch the organizational restructuring.

Less than optimal results from existing agency structures motivated North Central Indiana economic developers and the WDSI. They recognized that counties acting alone missed opportunities, especially with regard to business attraction initially, that a multi-county, regional effort could address more effectively.

To some extent, the Workforce Investment Act complemented these drivers for change. With its mandate to build a demand driven job training system more closely linked to economic development objectives, local WIBs increased the pressure for change and provided a springboard for discussions about specific actions in which new entities could engage, as well as the optimal organizational arrangements to make these actions happen.

Numerous factors contributed to the rate at which the change could occur and the degree to which the changes were welcomed.

Ability to Change

Once restructuring was decided upon as the desired course of action, numerous factors contributed to the rate at which the change could occur and the degree to which the changes were welcomed. These included the familiarity and experience that key staff had with the different agencies' roles and responsibilities in advance, the vision that leaders brought to the restructuring process, the respect and perception of key agencies and leaders among those with whom they merged, the political sense of urgency exerted by political and agency leaders, existing staff culture and attitudes, and how well the proposed changes fit the community and organizational cultures in the participating organizations.

In Montgomery County, the Economic Development Director served on the WIB prior to the merger and had a keen interest in workforce development issues. The Director not only supported the transition, he then helped broker relationships among the staff of the two organizations. Similarly, the new Workforce Investment Services director had an established reputation as a knowledgeable, competent County employee and was entrusted with the responsibility of restoring the image of workforce services and making connections with Economic Development. This credibility influenced the decision in Montgomery County, when faced with financial irregularities, to move the workforce function back into county government. In Stanislaus County, the County Board of Supervisors' extensive experience pursuing countywide collaboration around economic and workforce development convinced it of the need to disband both the economic development agency and the WIB in order to create an entirely new entity that could benefit from the credibility of a fresh start. Despite similar drivers and intended outcomes, local leadership made two different decisions based on their assessment of what provided the best chance to achieve the desired outcomes, considering local circumstances and opportunities.

Mayor Hickenlooper had experience as a small business owner and user of the City of Denver's services. He energized the merging of workforce and economic development in two ways: by placing the issue on the public agenda via discussions during his election campaign, and by articulating a broad vision of restructuring and what it could accomplish. The inclusion of four different agencies into the new Economic Development organization attests to the breadth of that vision, while increasing the complexity of organizational cultures, procedures, and attitudes that required attention to alignment.

He energized the merging of workforce and economic development in two ways: by placing the issue on the public agenda via discussions during his election campaign, and by articulating a broad vision of restructuring and what it could accomplish.

In New York City, SBS was a well-respected, nimble, business-oriented agency with strong leadership, as evidenced by the fact that the commissioner had just led a successful, yearlong restructuring process. With the support of the mayor and the

Deputy Mayor for Economic Development, the commissioner understood the vision and potential to improve the job service system. He articulated a well-defined agenda and established a strong culture of accountability to capitalize on the political sense of urgency to act decisively.

North Central Indiana illustrates that receptivity to the new organizational relationships depends on how well the approach fits the local circumstances. Having the Economic Development Committee under WDSI as convenor of the local economic development organizations wouldn't have worked if the WDSI hadn't been well established, well respected, and perceived as serving a valuable function in the region.

Engagement of Stakeholders

They used the potential value of the restructuring to attract stakeholders' and partners' support and cooperation.

There are several important characteristics that the cases share in common. In each instance, proponents and those charged with implementing the desired restructuring sought to appeal to a wide range of stakeholders. They used the political capital and credibility they had and built on early successes to advance the agendas. Most importantly, they used the potential value of the restructuring to attract stakeholders' and partners' support and cooperation. The value they have contributed, in terms of new opportunities identified and services delivered, reinforces the benefits of the restructuring and further builds the relationships.

In Stanislaus County, engaging the public-sector stakeholders was paramount. In a multi-jurisdictional area with nine cities, local leaders had to build trust among the public units first, especially where there had been a history of distrust. Three mechanisms that Stanislaus County leaders successfully employed to increase the cities' confidence in the reform effort included selecting a new CEO with credentials that built credibility, creating a fair representation system on the board, and pursuing a comprehensive, collaborative, county-wide planning process. Each action demonstrated the good intentions of the effort and served to foster support among stakeholders.

North Central Indiana appealed to a wide range of stakeholders, including political, economic, and education leaders, in seeking support for the effort. WDSI has been effective particularly at using a collaborative research agenda and its own internal governance to engage stakeholders. For instance, educators have been drawn by the State of the Workforce and the Top 50 Occupations research as useful tools in their own planning and curriculum development. Indiana University at Kokomo and Ivy Tech Community College are now a part of the Economic Development Committee. Both are very involved with the economic developers and the Workforce Board in planning and implementing regional solutions for the challenges they face. This work started small, engaging in joint planning and combined marketing efforts. As the relationships matured and trust among stakeholders and partners increased, they took on more difficult issues.

The stakeholders are drawn by the potential value of the changes to impact processes and results. They continue to be engaged because they see value from their efforts and they realize they can do more together than operating separately.

In New York, SBS purposefully targeted a few key large employers in growth industries, offering customized services in hopes of both building its reputation and enhancing the agency's ability to bring services to scale. Moreover, they built on the good working relationship between SBS and the Economic Development Corporation. Because they started with a new brand in the Career Centers (New York City Business Solutions Centers), SBS did not have to spend time "undoing" the old ways of doing things, allowing them to score relatively easy wins with business partners.

In Denver, the new Office of Economic Development made bold use of the mayor's request to conduct a business retention survey. Specifically, it administered the survey in such a way as to educate staff from the newly-merged agencies, in conjunction with Denver's business community, about the work of the office's different divisions and its overriding mission to create jobs. The relationship-building exercise promoted staff buy-in to the new mission and initiated a shift in the office's culture from one focused on enforcing regulations to one emphasizing customer-service.

In most of the cases, business stakeholders are engaged when public and quasi-public partners can help meet business needs. In Stanislaus County, the Alliance's commitment is evidenced by the fact that three of the four departments within the Alliance directly promote business development, and the workforce development department employs several business services consultants to coordinate with economic development staff around meeting employer needs. In Denver, the new office has signaled its commitment to providing integrated business assistance by creating two new programs: the Business Assistance Center, a one-stop information center for small businesses; and the Concierge Service, which recruits all senior and core staff to serve as liaisons to companies that require additional assistance from the city.

In so many ways, the stakeholders are drawn by the potential value of the changes to impact processes and results. They continue to be engaged because they see value from their efforts and they realize they can do more together than operating separately. The Stanislaus Alliance partnered with the Chamber of Commerce in a major fundraising effort designed to increase business involvement in a countywide economic development action plan. The Denver Office of Economic Development likewise has partnered with the Chamber of Commerce, as well as other public and private stakeholders, to create and operate the Metro Denver Economic Development Corporation, a unique regional economic development entity that aims to promote region-wide growth by coordinating business recruitment efforts and minimizing inter-jurisdictional competition. North Central Indiana obtained EDA and Indiana Department of Commerce funding to create CEDS plans for the region. Montgomery County depends on personnel within DED and Business Services Division staff at the MontgomeryWorks one-stop sites to identify opportunities to deliver value to local employers. In a competitive economic development environment, workforce services help to round out the information available and the services offered to companies.

Restructuring Process

Our review indicated numerous ways in which communities have chosen to restructure organizations to align workforce and economic development. Montgomery County chose to move the workforce function under the umbrella of the economic development agency. Denver decided to combine multiple functions (including workforce, housing and neighborhood development, business development, and small business services) under the Office of Economic Development. New York City moved the adult workforce function into the Department of Small Business Services. Stanislaus County created a new entity that served as the home for both workforce and economic development functions. Finally, North Central Indiana created a Committee of the Workforce Board, providing a regional umbrella that convened and coordinated individual counties' activities and made it possible for local economic development agencies to engage in joint marketing, research, and planning.

The path chosen seems to depend on local circumstances, existing institutional and personal relationships, political realities, and related factors.

This suggests that there is no single organizational arrangement that provides a roadmap for guaranteed success. Instead, the path chosen seems to depend on local circumstances, existing institutional and personal relationships, political realities, and related factors. The experience of those studied indicates that the specific organizational restructuring plan chosen is less important than how the change process is handled once the decisions about structure are made and implemented.

The experience of those studied indicates that the specific organizational restructuring plan chosen is less important than how the change process is handled once the decisions about structure are made and implemented.

In New York City, SBS had to revisit the agency mission and focus all staff on the same goal of meeting the job needs of local businesses. They had to build a working infrastructure for the merged entity, and they spent a lot of time and resources on problem definition up front. This led to insights about the services being provided, by whom, for what purpose and cost, and with what outcomes. They found that many staff, particularly those coming from the former Department of Employment, were eager to engage in the new agency culture with a strong focus and sense of purpose. Given that opportunity, SBS was quick to institute a culture of accountability and transparency (within the agency and also with its vendors), using performance data to encourage innovative approaches to impacting the bottom line: job placements.

Montgomery County approached the integration as a partnership analogous to an "arranged marriage." They provided some formal training for staff, but mostly depended on informal interactions among staff to build trust, relationships, identify opportunities, and create synergies. They recognized that a major change of this nature involves a substantial culture shift, and integration of services needs to occur gradually over time.

In Denver and Stanislaus County, forming new organizations involved designing new missions, goals, bylaws, organization charts, and employee salary/benefit structures that built on earlier experience but provided new opportunities. Both cited several advantages of creating new entities, including: the ability to make a “fresh start” and forge a new vision for the entity, unhampered by former identities and responsibilities; the chance to overcome funding silo problems and discover creative ways to combine multiple funding streams; and the possibility of avoiding the need to assume some of the former entities’ liabilities.

They also cited disadvantages, including: the challenge of closing out old programs, accounts, and obligations while opening new ones; the liabilities around creating a new organization with its numerous legal issues; the risk that staff of the former entities might lose their positions in the new entity; and the large investment in training, whether formal or informal, necessary to create a new culture and orient employees about the new agency mission, vision, programs, and tools.

In some cases like North Central Indiana that did not create a new entity, a formal agreement or memorandum of understanding could enhance and sustain the partnership. A formal agreement can open doors, codify roles and responsibilities, and establish priorities for collaboration.

The nature of the impact can include benefits regarding planning, collaborative research and information sharing, funding accessed, joint marketing and purchasing, as well as broader changes in organizational culture and business practices and processes.

Impact Achieved

These communities illustrate the broad range of ways in which the organizational restructuring spotlighted in this report can advance efforts to coordinate workforce and economic development to achieve common goals. The nature of the impact can include benefits regarding planning, collaborative research and information sharing, funding accessed, joint marketing and purchasing, as well as broader changes in organizational culture and business practices and processes.

Communities that undertake a process of agency restructuring often expect to realize a more streamlined strategic planning process as one outcome. Our review indicated numerous examples where this occurred. In the most formal sense, North Central Indiana achieved designation as the multi-county North Central Indiana Economic Development District by the Economic Development Administration. The EDD was responsible for regional economic development planning, reflected in Comprehensive

Economic Development Strategies (CEDS) plans in 2000, 2003 and 2005, and the new Federal funds that accompanied acceptance of the CEDS plan.

Denver's Office of Economic Development exhibited collaborative planning in convening the Policy Group, an office comprised of analysts from multiple divisions. The new research group is charged with determining how the office can address problems holistically. In Montgomery County, the Department of Economic Development's planning function now incorporates workforce expertise and resources into its strategy-setting routinely.

The restructuring often led to the creation, production, dissemination, and application of numerous studies and reports that influenced priorities and resource allocation decisions in the community. North Central Indiana produced "The Pathfinders Workforce Report" which revealed the underemployed workforce (2000), State of the Workforce Reports in 2000 and 2004 that produced a regional agenda for Change, and a report on the Top 50 Critical Occupations in North Central Indiana in 2002. In Denver, the Mayor launched a business retention survey in early 2004 that identified key issues for businesses in the community. The survey results and recommendations were published, and the study recommendations led to creation of a Business Assistance Center and several other initiatives. In Stanislaus County, the Alliance was one of the key entities providing input and direction to a yearlong, community-wide, economic development planning effort. The countywide report and marketing plan that emerged from the effort, called "Strengthening Stanislaus," serves as an organizational and implementation blueprint for the Alliance, as well as the centerpiece of its capital fundraising campaign to promote economic and workforce development in the county.

In many cases, the collaborative research, planning, and information sharing led to important actions around agreed-upon strategies. Montgomery County, for instance, streamlined business attraction functions within EDD, leading to the attraction of a new Macy's and the National Retail Federation Foundation Sales and Service Learning Center. It also provided support for focused business retention, expansion, and creation activities, with links to incubators and Maryland Business Works addressing health care and small business incumbent worker training needs. In New York, SBS launched a new sales force and menu of services to help attract and expand businesses that want to hire and train local residents (Target Stores and JetBlue Airlines, and Hunts Point/Fulton Fish Market respectively).

North Central Indiana can show creative applications of technology to solve issues identified as important. Early on, the Economic Development Committee established a regional website to market the virtues of the region to interested companies and individuals. More recently, the Committee agreed to share the costs of a software program that will enable partners to track business trends for employers in the region.

The restructuring activities also served to place economic development issues on the public agenda and revitalize partners and the community as a whole. New York City reported that several factors contributed to the new energy. Factors included a redefined policy and strategy formulation role, the new WIB executive director, staff additions, and the appointment of several influential CEOs to the WIB. Moreover, it led to an overhaul of the city's one-stop centers, incorporating data-driven accountability systems to keep vendors focused on job placement outcomes. WIBs and One Stop Career Centers gained new energy from their potential relevance to an economic development agenda, and they frequently saw that a sophisticated economic development partner helped generate new workforce business. Montgomery County found that the range of resources and service offerings available through workforce often helped economic development broaden its menu of employer services, especially with respect to retention and expansion efforts.

There are numerous impacts resulting from restructuring organizations as described in the cases in this paper that the simple coordination of functions and services is less likely to achieve.

In numerous cases, the restructuring created a more customer-focused and demand-driven agency culture. In Stanislaus County, the Alliance's creation of a unique fundraising entity—operated by the Chamber of Commerce, yet headed by the Alliance CEO—has sparked enthusiasm within the business community about the Alliance's Strengthening Stanislaus campaign. While the Alliance is open to the public as a matter of law, the new entity is designed to limit participation to private sector investors in the campaign. Such a structure serves to grant donors direct access to the Alliance CEO while ensuring their privacy.

In summary, there are numerous impacts resulting from restructuring organizations as described in the cases in this paper that the simple coordination of functions and services is less likely to achieve. These include the following:

- *Improved problem solving from holistic thinking.* The expanded organizational mission and the cross-fertilization of ideas among staff from different components foster holistic and creative solutions to problems. Attention to staff development details (such as implementing staff cross-training) encourages thinking about development- and business-related issues, and brings varied perspectives and expertise to the table in a regular and structured fashion.

- *Consistency and alignment.* Staff members seek to advance one broadly defined and clearly articulated mission, not multiple organizational missions, and lines of authority and reporting can be more clearly defined.

- *Greater resources under one roof.* Some of the highlighted cases realized fiscal savings in restructuring organizations that could be reapplied toward advancing the organization's mission. Moreover, while individual funding streams associated with specific components often are earmarked for specific programs and activities, alignment under one organization allows for more focused and creative thinking about the use of earmarked and more flexible funds among staff with different perspectives.

- *Greater accountability.* Staff members ultimately answer to only one leader in the organization, rather than multiple leaders across organizations.

- *Potential to institutionalize desired changes.* Restructuring addresses some of the fundamental barriers to effective organizational change, such as aligning organizational culture, business processes, and performance management systems. As such, restructuring holds the potential to institutionalize the desired changes in attitudes, behavior, and outcomes that often motivate the effort and influence its success. The early evidence from the cases presented suggests that the benefits realized are potentially more long-lasting than simple strategies or tactics undertaken without structural change.

Appendix

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