A report of MSP Regional Cluster Initiative – December 2011

CEO to CEO **Conversations**

Mayors Talk with Business Leaders About Growing Jobs in Minnesota

Regional Council of Mayors

The BioBusiness Alliance of Minnesota™

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UNIVERSITY OF MINNESOTA
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Department of Employment and Economic Development

OVERVIEW

The Regional Cluster Initiative (RCI) is a collaborative effort to grow, retain and attract jobs in the Greater MSP region. It represents a major first step in practicing regional economic development utilizing an industry cluster approach. RCI's work included:

- Ten competitive traded clusters in Minneapolis - Saint Paul region were identified
- Regional mayors selected three clusters for further research, outreach and engagement – Medical Devices, Financial Services and Distributional Services
- Mayors interviewed CEOs to identify strengths /opportunities, and to build private-public relationships
- Two areas selected for further action: medical devices cluster and corporate headquarters concentration

What makes Minneapolis – Saint Paul a great place to do business?

How can we grow that advantage and what are major issues related to that potential growth?

What are the linkage and alignment opportunities between the private and public sectors that benefit the business environment?

As part of its work, RCI promoted direct engagement conversations between members of the Regional Council of Mayors and corporate executives from 24 of Minnesota's largest businesses.

CEO conversations were organized around three key questions.:

- What makes Minneapolis – Saint Paul a great place to do business?
- How can we grow that advantage and what are major issues related to that potential growth?
- What are the linkage and alignment opportunities between the private and public sectors that benefit the business environment?

Momentum created by the Regional Council of Mayors' regional and partnership focus – and its emphasis on direct engagement between private- and public-sector "CEOs" – was one of the factors that led The Brookings Institution to select the MSP area as one of three pilot regions for development of a Metropolitan Business Plan.

This report summarizes conversation findings and identifies an action plan for the Regional Council of Mayors to help grow, retain and attract jobs in the Greater MSP region.

RCI CONVERSATIONS

ADC Telecommunications
Ameriprise
Best Buy
Blue Cross Blue Shield
C.H. Robinson
Donaldson Company
Ecolab
Freight Masters
G & K Services
Graco
HealthPartners
Imation
Medtronic
Mortenson Construction
Patterson Companies
Securian
Supervalu
Thomson Reuters
Toro
United Health Group
US Bank
Wells Fargo
Xcel Energy
3M

A New Approach to Regional Economic Development

In answering the three questions, conversations revealed a host of assets and challenges for the Minneapolis – Saint Paul region: quality of life; human capital – defined as quality of workforce, skilled professions and corporate talent; business environment; political environment; corporate headquarters synergy; and infrastructure and institutions.

QUALITY OF LIFE

- Corporate recruits enjoy Minnesota's high quality of life and often stay here as a result – despite initial hesitation due to the state's cold climate and relatively high personal income taxes
- Arts, culture, parks, natural resources, and professional sports, as well as education, health and infrastructure, are all components of high quality of life
- Vibrancy of Minneapolis and Saint Paul is critically important to the region as a whole

"Corporate recruits don't move to Minnesota for the quality of life–particularly given the weather; however Minnesota's high quality of life will keep them here."

"Minnesota's education system is no longer living up to its legacy."

HUMAN CAPITAL

- Minnesota's well-educated and hard-working labor pool is a strength and competitive advantage; businesses locate and grow here as a result
- Lack of racial diversity in the workforce and particularly among skilled positions is a concern of some employers
- State's legacy of excellence in K-12 education is an asset; despite this strong history, there is a general sense that the K-12 education system is slipping
- Achievement gap is a problem – especially for businesses seeking a racially-diverse labor pool
- Focus on college-readiness for all is misguided; there is a growing need for business-identified vocational alternatives
- Disconnect between pure and applied research is growing; there is a need for closer alignment of business needs and university research
- University of Minnesota is encouraged to recruit and educate the "best and brightest" for careers in high-skilled areas rather than to serve as liberal arts educator for native Minnesotans
- College graduates are increasingly ill-equipped for the workforce, where job-specific training and education has become the norm for new hires; undergraduate curricula should become demand driven and more responsive to employer needs

BUSINESS ENVIRONMENT

- Government should help business identify and meet regulatory and permitting standards rather than serve as adversarial barrier to growth
- Corporate and personal income tax rates are at the high end of an acceptable range; however, perception of Minnesota as a highly-taxed state may be more of a barrier to growth than actual taxes
- Taxes affect businesses in different ways, based on business size, sector, and source of competition
- Field of competition has changed; Minnesota businesses are often competing against internationally-based peers
- Lack of capital availability is viewed as a limiting factor for small business growth

"Hurdles in permitting processes represent a much greater burden for business than do comparitively high income tax rates."

"The Twin Cities area is a jewel because of the number of great companies and good people here. The cross-pollination of corporate boards exemplifies the benefits of this region."

POLITICAL ENVIRONMENT

- Minnesota has a legacy of pragmatic leadership and a generally collegial, effective and responsive political environment; however, recent trends create an impression that government cannot work together and reach compromise, which is not good for business nor Minnesota
- Uncertainty over future tax obligations and regulations, rather than current taxes and regulation itself, is government's real threat to economic growth

INFRASTRUCTURE & INSTITUTIONS

- MSP International Airport is a key strategic asset
- Quality transportation system including roads, bridges and transit is important for business operations and access to labor
- University of Minnesota continues to be an invaluable source of research and innovation
- Declining state investment in higher education is concerning; sustainability of University of Minnesota as an engine for innovation and a high-quality educational institution is at risk

CORPORATE HEADQUARTERS SYNERGY

- Minnesota's corporate headquarters concentration is a key competitive advantage
- Business organizations, retired executive mentorships and general collegiality among peers provides natural support structure for executives in the region
- Access to high-quality professional services such as legal, finance, human resources and creative is an advantage; these services are important for corporate operations and they are regional strengths
- Strong legacy of civic engagement among corporate executives creates employee pride and community support
- Minnesota's corporate headquarters are not likely to grow here; rather, job growth will occur near manufacturing and distribution centers located throughout the world
- State's growth strategy should focus on promoting innovation and nurturing the next generation of corporate headquarters

"In Minnesota, pragmatism tends to win out."

ACTION PLAN –
What Mayors Can Do Together to Grow Jobs

To strengthen our competitive advantage, the Regional Council of Mayors is uniquely positioned to:

Continue CEO to CEO Conversations

- Embrace role mayors play in creating a healthy business climate
- Hold an annual "CEO to CEO" summit among mayors and corporate leaders
- Partner with Greater MSP and Minnesota Chambers of Commerce to extend their reach

Develop workforce talent for the jobs of today and tomorrow

- Use clusters as a framing mechanism to identify workforce demand
- Partner with MnSCU, University of MN and other institutions of higher education to promote skills training and job readiness to fill existing jobs

Promote more efficient and business-friendly local and state regulations and practices

- Identify best practices; demonstrate and promote regionally
- Partner to identify strategies that would result in more efficient and effective regulation and permitting

Invest in regional infrastructure and institutions

- Advocate transportation infrastructure improvements that serve regional interests, optimize land use and address congestion
- Examine options for improving "infostructure" – both in terms of broadband connectivity for local governments, businesses and homes and data center capacity for growing IT cluster
- Support anchor institutions, such as the University of Minnesota, as economic engines for growth

Conversations identified a number of opportunities for meaningful action. In particular, executives recommended:

- A collaborative approach to regional economic development
- "Wholesale change" to high school and college curricula to better prepare students for the workplace
- Emphasis on "working to yes" in which regulators help businesses meet worthy standards and cities demonstrate best practices
- Renewed focus on maintenance and expansion of our essential infrastructure – ranging from MSP International Airport to roads, bridges and transit to broadband internet connectivity

Regional Council of Mayors

The nationally recognized Regional Council of Mayors was formed in 2005 and is supported by the Urban Land Institute Minnesota. It includes Minneapolis, Saint Paul and 43 municipalities in the developed and developing suburbs. This collaborative partnership provides a nonpartisan platform focused on building action strategies to raise the region's overall economic competitiveness, innovation and quality of life.

RCM Co-chairs:
Mayor James Hovland, Edina
Mayor Sandy Martin, Shoreview

RCM Committee Co-chairs:
Mayor Debbie Goettel, Richfield, Environment
Mayor Mike Maguire, Eagan, Housing
Mayor Terry Schneider, Minnetonka, Transportation and Land Use Systems
Mayor Gene Winstead, Bloomington, Jobs

RCM Members:
Mayor Doug Anderson, Dayton
Mayor Dave Bartholomay, Circle Pines
Mayor Ardell Brede, Rochester
Mayor Chris Coleman, Saint Paul
Mayor William Droste, Rosemount
Mayor Jo Emerson, White Bear Lake
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Mayor John Sweeney, Maple Plain
Mayor Nancy Tyra-Lukens, Eden Prairie
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Mayor Janet Williams, Savage

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