Report

of the

Best Practices Committee

By the

South Carolina Economic Developers' Association

and

the SC Department of Commerce

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Introduction

The South Carolina Economic Developers' Association and the South Carolina Department of Commerce formed a committee, chaired by Fred Humes of the Aiken Edgefield Economic Development Partnership, to examine the way the professional economic developers and allies in the state conduct the business of recruitment. The committee was further tasked to make their recommendations in the form of "Best Practices." It is obvious that "best" practices may not apply to all interactions at all times nor are they meant to restrict creativity in the recruiting process. The committee examined the current practices and, where applicable, suggested changes in the procedures. The Committee acknowledges the principles set forth by the SCEDA Local Developers Committee in their meeting in December 2001 and has attempted to incorporate them in this document. The committee did not attempt to solve all the problems or to address all situations. It also did not attempt to find fault in the manner in which some of the allies conduct business. The Committee addressed primary issues with the goal of suggesting ways the process could be made better.

Respectfully submitted,

Fred Humes, Chair

Committee Members:

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The Structure of Economic Development in South Carolina

The economic development recruiting structure in South Carolina is characterized by a wide variety of public and private organizations, both large and small that are generally referred to as economic development allies. The one common thread among these organizations is that they each have a mission which includes the attraction of new business to the area. The lead organization in this Allies network is the SC Department of Commerce (SCDOC). Individual counties usually support an organization such as a local development board, chamber of commerce or local economic development partnership that has the same responsibility on the county basis that the SCDOC has on a statewide basis. Other organizations involved in education/training, utilities, construction, engineering, finance, regional planning, regional economic development, are also important members of the team.

As with any team, every member must play his/her role well in order for the team to succeed. Each economic development recruitment project is a direct result of numerous team members voluntarily working together for a successful result. There is no direct line of authority that allows any one team member to direct actions by other team members. As a result, success can be achieved only when the mission is well understood and accepted, responsibilities are well defined and each participant organization is recognized and rewarded for their contribution. In the absence of an accepted structure, chaos, confusion, misunderstanding, and self-interest take the place of commitment and the mission of the organization fails.

Economic development recruiting by its nature is a dynamic process. It is a process where all participants are neither equally prepared nor capable of making changes or improvements at the same rate. The goals and resources of various communities and organizations are not the same and cannot be approached in the same way even though the ultimate goal for all is the betterment of their respective communities. Because of the collaborative nature of the economic development recruiting process, the relationship between the participants in the various organizations becomes of utmost importance. One size does not fit all and in a time of dynamic change, economic development organizations must tailor their approaches based on the capabilities of the participants, their individual resources and goals.

Challenges to Economic Development in South Carolina

The challenges faced by Economic Development Allies are monumental. Challenges such as formation of capital, business retention, manufacturing diversity, technology integration, incentive programs, workforce skills and small business entrepreneurship are faced daily. The mechanism or structure which fosters the ultimate goal of bettering the citizens of South Carolina must address these issues and be ready to make changes as necessary. Hierarchical organizations, while offering some efficiency, may not be suited for a world rapidly being dominated by technology and globalization. Teamwork, collaboration and cooperation may well be the necessary ingredients for success. But as noted, not all participants in the process move at the same rate. The goal of the SCDOC, local development organizations and allies becomes one of identifying the communities' strengths and weakness and then developing appropriate programs and procedures to build on the strengths and overcome the weaknesses.

The task we face is how the current state organization and the various local organizations can work together to achieve the goal of a better quality of life for the citizens of South Carolina. Other than common goals, the implementing link between the organizations can be condensed into one factor: the relationship between the individuals involved in the process. Where there is a lack of communication, where mutual goals and acceptance of differences are not well understood, the inevitable result is an environment of mistrust and a 'go-it-alone' attitude becomes the norm. A 'my way or no way' approach to the process soon leads to failure.

This committee looked at the process and the relationship between the two primary organizations, SCDOC project managers and local economic developers and from that examination developed what it considers to be "Best Practices." Traditionally, economic development professionals have operated within standards, but, to date, the standards have gone unwritten. Expectations of the responsibilities of each organizations and each of the participants are not well defined and in many instances contribute to misunderstanding or lost opportunity. The Best Practices Committee developed basic guidelines and standards which we believe are the first steps in creating a more effective economic development program. The practices suggested are neither sophisticated, nor revolutionary and not detailed. The details will evolve. Rather the approach is more akin to that of Coach Vince Lombardi who said to his assembled team of players after a rather poor performance: "Gentlemen, this is a football."

Basic Principles

Within the economic development community some basic operating principles have been determined that enhance the process and promote trust among the team. For any team to succeed, team members need to understand and be able to depend upon their teammates.

- For economic development to succeed, it must be built on trust. Economic developers at all levels must work to establish their trustworthiness with prospects and other allies. This is accomplished by following through on all commitments. No company is willing to invest its capital and manpower in a community whose representatives are not forthright and committed to keeping their word. Economic Developers should make no commitments that they do not have reasonable certainty will be completed.

- SCDOC project managers should not share information provided by counties nor should they encourage competition among counties.

- Local developers should not engage in negative selling in regards to another SC community/county.

- The person/organization with initial contact "owns" the project. All other organizations brought into the project by the "project owner" will be in a supportive role. This will be true whether the contact is originated by the SCDOC project manager, local developer, or other ally. (In the past it has been a concern that a project originated by a local developer and a project manager then becomes involved, the project manager may take project to another community.)

- If a client (whose project is "owned" by a local economic developer or other ally) tells a SCDOC project manager of their interest in exploring another community in South Carolina, the project manager should first notify the local developer of the situation. He/she should then exhaust all possibilities in the original community. If it is determined that the original community will not work for this client, then ownership of the project should then transfer to the SCDOC project manager who is subsequently free to show other sites in South Carolina.

- A local developer and SCDOC project manager may at any time mutually agree that transfer of ownership to the project manager is in the best interest of the project and proceed in that manner.

- The project is "owned" by the point of first contact unless a SCDOC project manager is contacted directly concerning a potential expansion of a local existing industry. Unless the company requests otherwise, the project manager should brief the local development professional before any visits are made. At all other times, the local developer is responsible for existing industry expansions.

- All correspondence should be channeled through the organization with lead responsibility unless otherwise agreed.

- Regional economic development partnerships are voluntary organizations representing several counties. The delegation of responsibilities between the regional staff and local developers within the region should be determined by the board of directors of the regional organization and the relationship with member counties/cities.

- Economic developers should actively seek and accept feedback from others involved in the process at all levels. Improvement in the economic development process can only take place when changes are made as a direct result of constructive feedback is delivered.

- A feedback loop from the senior local economic developer in the community with a senior member of the SCDOC staff should be established. Discussions of mutual organizational responsibilities, successes and failures of each organization should be open for discussion on a periodic basis

- Negative feedback to an ally's senior management should be attempted only if the normal feedback loop fails to improve the process. Objective acceptance of the comments without personal bias is the goal.

- The ultimate goal of economic development is that companies locating in the community will improve the quality of life for citizens. The increased prosperity comes from primarily two different sources: Job Creation and Tax Revenue.

- Economic development is achieved through marketing, strategic planning, community development, infrastructure construction, staff and professional development, site and park development.

- Economic Developers should always respect the confidential nature of economic development projects when required by the client. Projects are confidential for sound business reasons and economic developers should use their good offices to assist a company in maintaining confidentiality. Sensitive information on active projects should be provided to allies, public officials, contractors and others only on a need-to-know basis and even then with an understanding of the confidential nature of the information. Freedom of Information Laws should always be respected.

- Economic Developers should have good "professional qualities." These include: 1) truthfulness; 2) knowledge of their communities; 3) knowledge of current events; 4) sober; 5) professionally dressed; 6) positive attitude; 7) using appropriate language; and 8) smoke free in front of clients.

Best Practices of the Local Economic Developer

Local economic developers work for either county or city organizations with a direct responsibility for economic development within their jurisdiction. Some of these organizations are direct county offices, while others such as economic development partnerships and chambers of commerce are designated by local governments to manage economic development on their behalf. In any event, professionals who work for these organizations are important member of the economic development team.

- The local developer should have a clear understanding of the types of industry the community desires or will accept. There is no substitute for having specific goals set for the community; those goals may be in your mind or as sophisticated as a formal strategic plan. The goal may be to simply bring in any type of industry or jobs, or it may be that only certain types of jobs are desired because of special worker skills, desired wages levels, or a desire to diversify the industrial base. It does little good to bring in a prospect knowing that County Council or activists will have a problem. Any industry that may be in question should be addressed with the proper officials before the visit. The difficulty in that is you may not have sufficient data from the industry. In that event, caution should be exercised.

- The local economic developer should maintain information on his/her community/county using a technology based system which enables a timely, accurate response to inquiries.

- Sites information should be gathered and maintained on all available, viable sites in a presentable professional format. Site certification, documenting the environmental, geographic and infrastructure suitability of the site should be pursued for the most viable sites.

- In order to ensure sites are included in location decisions, local developers need to list all potential industrial sites in the SCDOC's Geographic Information System (GIS) database and check the department's Internet site regularly to ensure site information is current. If certain sites are not available for all projects, every step possible will be taken to protect the interests of the community and the property owner.

- Whenever possible, documents and information should be exchanged with the SCDOC and other economic development allies electronically. In order to

accomplish this, local development professionals and staff should be knowledgeable and proficient in the use of computers, e-mail and the Internet.

- Local developers should maintain current wage and salary information for the area they serve.

- The SCEDA Office Standards report should be implemented for local economic development organizations.

- Local developers should keep SCDOC staff and project managers aware of the attributes of their community, as well as the availability of any sites or buildings not currently in the SCDOC database.

- The local developer will not engage in negative selling in regards to another South Carolina community.

- Knowledge of competing communities is always helpful, but not a major problem if you don't have that information. With the advent of the internet and community web sites, a great deal of information can be gleaned and used to help explain the differences in communities or incentives, or used to emphasize the strength of your community over another. There may be no need to disclose that you are aware of the other community unless the prospect reveals the competition, and there is no reason at all to speak negatively of the other community either by implication or specifically.

- Know the people in the community who have the answers to important questions or manage key systems in the community. These include those responsible for water and wastewater, zoning, solid waste, etc. Also maintain a working relationship with all other elected and appointed officials whose assistance you may need on short notice.

- If a client contacts a local economic development office, the professional should take steps to determine the viability of the contact and seek assistance through the SCDOC.

- While every prospect will ask questions for which an immediate answer is impossible, a good local economic developer knows the answers to key questions about the community. Some of the more important topics are detailed in Appendix B.

Best Practices of the Department of Commerce

The South Carolina Department of Commerce is the lead organization in state government responsible for recruiting new companies into South Carolina. As such, the SCDOC through its projects managers is the primary point of contact for most companies seeking new site locations. Project managers generally use their discretion to coordinate other members of the allies network so as to ensure a positive decision by the company to build or expand facilities in South Carolina.

- The SCDOC should provide all local developers a list of questions and data common to most major consultant questionnaires. Commerce project managers should then be able to expect that local economic development offices will maintain this information in an up-to-date manner.

- In order to provide local developers and project managers information regarding targeted cluster industries, the SCDOC staff will provide background information about the target industries so that local developers can prepare themselves for the types of industries that will visit their communities.

- The SCDOC will maintain economic development data such as wage rates by skills in a consistently up-to-date manner. Inconsistent or out of date data produces uncertainty among clients and thereby inhibits success. Data is presented to clients by all of the economic development organizations he/she encounters, as a result, discrepancies in key data creates problems. All efforts should be made to reduce or eliminate these issues.

- The SCDOC project manager should consider all possible locations for a project based on the project criteria and not personal friendships.

- The SCDOC project manager should notify the local economic developer as soon as possible that their building or site has been submitted for consideration by a prospect.

- The SCDOC project manager should notify the local developer of the status of the process of a project on a regular basis and the outcome of the project, with details, at the conclusion of the site selection process.

- The project manager will not share with competing counties the proposal of another county. The project manager should not encourage competition between

counties. He/she will also not disclose information about a community to a competing community if that information results in an advantage to another community

- The project manager should share with the local developer all information provided to the prospect that affects his county.

- The SCDOC should screen prospect calls for viability wherever possible prior to assignment to a project manager. Project managers will then communicate the estimate of viability to local developers as their communities are brought into the project.

- A detailed agenda should be discussed with all local developers as soon as possible after a prospect commits to a visit to the state. The agenda should contain all relevant information that will allow the maximum coordination during the visit.

Best Practices on the Use of Incentives

Incentives are designed to give South Carolina a competitive advantage in attracting new and expanded jobs and capital investment. Incentives are tools that when used in the hands of a professional benefit both the company and the community. Incentives should be employed using the following principles:

- When discretion is available to the State or one of its political sub-divisions, only those incentives deemed necessary to secure the project should be offered to clients.

- All incentives should be performance driven whereby the corporation receiving the incentive is held responsible for providing the promised value to the community.

- Whenever performance does not measure up to commitments, the community will have the option, by prior legal agreement, to recover funds expended for the project in an appropriate manner.

- During the process of working with clients, economic development professionals should make every effort to determine in detail the client's needs and the client's ability to perform prior to a detailed discussion of incentives. If possible, a discussion of incentives should be deferred until specific needs are identified.

- Economic Development professionals should avoid making commitments of incentives offered by other branches of government. For example, state level project managers should not attempt to commit local governments to Fee-In-Lieu-Of-Taxes agreements or Special Source Revenue Bonds. Likewise, local level economic developers should not attempt to commit state government to infrastructure grants, Job Development Credits or set-aside grants. Wherever possible, entities that provide incentives should be permitted to present their offerings directly to clients.

- Both the state and local communities should complete a comprehensive cost/benefit analysis to verify that incentives do not exceed the value of the new development to the state or local community.

- Existing industry should receive at least as much consideration for incentives for expansion projects as new industry when they are considering a community.

Prospect Visits

Prospect visits are an essential element of the economic development process. This is where the best practices of the SCDOC professionals, the local development office and other allies must mesh into a winning effort.

- Initial prospect inquiries should receive a response within 24 hours at either the SCDOC or the local development office.

- Electronic and paper files should be created as soon as contact is made with the potential prospect by the local developer and SCDOC division head/project manager and maintained throughout the project.

- The SCDOC should designate individuals with special skills, expertise, or areas of specialty in industry sectors or cultures. An added benefit of this arrangement will be the ability for project managers to help prepare local development allies for visits.

- In order to ensure both the local developer and the state project manager are working in unison, it is recommended that checklists be developed for visits. A checklist, with items such as those contained in Appendix B.

- In order to ensure all communities are given adequate time, project managers and local developers should let the prospect know ahead of time the importance of staying on schedule. A prospect should be told, "I'm going to keep us on schedule, is that acceptable to you?"

- Follow-up letters should be sent to the prospect no later than two working days after the visit with additional information or a status report and time that information will be sent. Local developers should also send local participants a thank you note within the same time frame.

- It is incumbent on all economic development professionals involved in a prospect visit to ensure that all participating communities are treated fairly.

Appendix A

Key Questions that a Local Economic Developer Needs to Know

- What sites are available and what infrastructure is there in place (or planned)?
- Are local leaders interested in this type of industry in general?
- Will there be a negative response to this type of industry by elected officials or activists and if so, how will we respond once the community learns of the project?
- How far will County Council let you go in making an offer of incentives? It's always better to have permission with a range, than not be able to make a commitment that will be honored. It helps to establish your authority and the client's confidence in you if you can speak for the community at least with certain ranges.
- Do local elected officials understand the need for new industry and the process? There's nothing worse than to be in a meeting where a county council person says, "We've got enough industry and we like the community just like it is".
- Do county staff and utility district officials understand the process?
- Do they have the same vision as you?
- What issues are running in the local newspaper and do you know not only what they are, but know the issue well enough to explain it to the prospect?
- Are there severe racial issues in the community? If so, how will that impact the new company and its hiring practices?
- Do you know the boundaries of the sites you will present?
- Do they need to be flagged? Can the site be expanded?
- Which direction?
- Where is the infrastructure associated with the site?
- What's an estimated cost to get it there?
- What is the zoning for the site and any alternative sites?
- What does the site look like?
- Has the approach to the site been considered?
- Does the trash need to be picked up, does the grass need cutting, are there beer bottles from a recent party in the area?
- Does the site look like a potential industrial site or a cornfield?
- Have you driven the proposed route to the site in the last few days?
- Is there an alternate route needed because of construction or other reason?
- Do you have permission to be on the site or is advanced notice required?
- What is the policy and/or record of the Board of Adjustment and Appeals in regards to variances?
- When is the company comfortable in disclosing enough information for you to get a "feel" if a variance is needed?
- Are there close ties with local plant managers?
- What will they say about the educational system, workforce or political situation?
- Who are your allies in the manufacturing community and who should you avoid?

Appendix B

Initial Preparation for the Visit Check List

- Whose prospect is it and what is your role in the process?
- What is the role of the consultant? How involved will they be versus company representatives?
- Who is the decision-maker on the team or how are the various functions represented? What's their background?
- What does the company annual report say about the goals and directions of the company?
- Learn all you can about the prospect and the industry he represents.
- What is the industry code for the company and how does that relate to EPA or DHEC requirements?
- What clues may there be in the information provided as to the company and product based on air discharges, water discharge or requirements?
- Is this a growing or declining industry?
- Why is the company looking at a new location?
- What sources are available on the web either for the company or its industry in general? How does that information relate to you and your community?
- What suppliers or support businesses are in the area?
- How far in driving time?
- What does the company want to see and how much time is allocated for the visit?
- Is this industry suited for your community? Why or why not? How will it impact other industries in the community?
- Is the workforce available with the necessary skills or will they draw from existing industry?
- Do you know enough about the industry to formulate a plan for incentives, location, sites, and infrastructure?
- What's the project "worth" in regards to incentives?
- Will you have to "buy" the project in order to compete?
- Is it cost-effective to do so?
- How many members of the prospect team will be coming?
- What other allies will be on the tour with you?
- What size vehicle is required?
- Multiple vehicles can lead to disaster if conflicting data is given.
- How do the company's goals fit in with those of the community? Are they at odds?
- Do you know the numbers for local towing services?
- Are local business and educational leaders available for interviews?
- How much advance notice do they require?
- Where are the places of worship for various religions?
- Where are stores that stock ethnic foods?

Prior to the Visit Check List

- Who is responsible for making hotel reservations? Who is paying for the rooms?
- Has a welcome note and small fruit basket been prepared and left in the room?
- Which restaurants are open on the night of the visit?
- If this is a second visit, where did you eat last time?
- Are renovations in progress?
- Is there a private dining room and who will meet the prospect at dinner?
- How much can you tell allies about the project and what will they say about the community?
- How much time do you have for dinner based on when the prospect started their day? Can the restaurant expedite the meal or are they locked into a set service pattern?
- Are there dietary considerations for any member of the group?
- If you determine that there are during the visit, what are alternative restaurants?
- What is the size of the group at dinner and the ratio of guests to local representatives? Who will be most meaningful to the project?
- Has a formal itinerary been developed and coordinated with all parties?
- Are the times realistic?
- Who will be the "keeper of the clock" and keep the project on schedule?
- Can the meeting room accommodate the group without overcrowding?
- Can a presentation be made so that all can see and participate?
- Who will make the presentations?
- Have the topics been coordinated?
- Do SCDOC and consultants understand the local policies regarding land, incentives, infrastructure, FILOT, etc.? It is difficult to explain why you can't do something once the topic has been brought up.
- When was the last time you drove the route you will take to the site or tour of the community?
- What alternative sites are available and do you have information on them during the community tour?
- Does the staff know who is coming and the company name?
- Is there a private room for prospect phone calls?
- Is an interpreter needed?

The Visit Check List

- What time will the client be at your office or where will the meeting take place?
- Who is responsible for airport pick-up?
- What changes will be made to the itinerary if a delay occurs?
- Does everyone know the names of the prospects and the correct pronunciation?
- Have you confirmed with the client what he really wants to see in your community?

- Have the site specifications been confirmed, and what alternatives is he willing to consider, if any?
- Are beverages and refreshments appropriate for the season?
- Who will drive the van and who will give the tour? Does the driver know the desired route and alternative routes?
- Is the driver conscious of safety and the typical ride of the vehicle used?
- Are all maps, charts, plats and site information available for all to see during the tour? Are there sufficient copies of all material?
- Is smoking allowed while in the van?
- Is the tour balanced in regards to the desired amount of time for each area of interest?
- Do you know the history of the community well enough to discuss in detail?
- Is time on the tour structured to learn more about the company?
- What details can you pick up?
- Are you prepared to detail the advantages of the site or building: the utilities, any environmental studies showing a clean site, record of endangered species, or wetlands, and distances to areas of interest to the prospect?
- Do you have an in-depth knowledge of your community? Details build confidence in you as an authority.
- Do you carry a camera with you to take shots of sites and buildings and then give to the prospect?

Follow-up Check List

- Have you sent a follow-up letter with the requested information? Does it continue to sell the community and its advantages?
- Is the response both accurate and timely?
- Has SCDOC and the consultant been copied?
- Have "Thank You" notes been sent to each local participant in the visit?
- Did you remind them of the confidential nature of the project?
- Do you know the schedule of decision and given thought as to how you can influence the decision based on your new found knowledge?
- Has the staff been debriefed and asked for ideas?
- Are you prepared to address media questions in the event of rumors about the project?
- Have you made a realistic assessment of the desirability of the project for your community and determined how aggressively you will pursue it?
- Did you instill in the prospect a sense of trust in both you and the community?
- Did you begin a relationship to build upon as the project progresses?