

Northland Works Regional Economic Development Strategy 2009

Phase One Economic Assessment

Strategic SWOT Analysis – June 2009



Overview

As part of the economic assessment phase and prelude to the development of the Northland Works Regional Economic Development Strategy, the Northland Works Leadership Committee conducted a brainstorming process to identify the region's strengths; weaknesses threats and opportunities (SWOT) for economic development. The process was facilitated and a SWOT template was provided with criteria to help respondents to think about the region and its comparative competitive position. Ultimately we are looking to identify the opportunities that will make the Northland Region more competitive and sustainable as a market and economic engine. Opportunities can be seen in the region's strengths and oftentimes they present themselves as weaknesses...barriers or challenges that could be changed and turned into a significant competitive advantage.

The following summary has taken the SWOT inputs, and with some analysis, refined them into a series of themes or areas of focus. Coupled with the economic data and analysis on the current and future potential regional economic drivers developed to date, we want to further define the strategic issues and opportunities that must be addressed to propel this region as a global economic player and build a strategic plan around those priorities. This tool, summary and further discussion will help us achieve that objective.

Strengths and Weaknesses of the Northland Region

The Northland Region has some unique strengths and weaknesses that will enhance or detract from its competitiveness. To provide a general frame of reference we can think about four types of strengths or weaknesses that come into play:

- Core Resources – factors such as real estate, financial capital, infrastructure, knowledge assets such as the universities, colleges and research centers, quality of life and workforce
- Geographical – physical location or geographic proximity
- Sectoral – industry/business concentration or presence
- Organizational/Leadership – the presence, absence and/or effectiveness of the key organizations, programs, strategies and policies supporting economic development

With these in mind the following summary highlights key themes/clusters to consider and further discuss in no priority order.

Strengths of the Northland Region

Core Resources

- A. Natural Resources:
 - Lake Superior
 - Wood as a raw material

- Scenic beauty
- Stable geology – free of natural disasters (hurricane/flood/earthquake)
- Abundant natural resources (wood, water, minerals, wind, etc.)
- A clean environment
- Demonstrated responsible natural resource use, management and growth

B. Infrastructure:

- Transportation system that is geared to move big stuff
- Electrical infrastructure
- Competitive energy cost structure
- Physical infrastructure to support heavy and light manufacturing (physical) – buildings, sites and equipment
- Transportation – pipelines for continental crude oil, natural gas and other supply lines
- International port on the Great Lakes system
- Multi faceted rail service center
- Strategically located international airport and supporting system in the region
- Trucking hub

C. Workforce:

- Work ethic
- Advanced technical skills
- Access to education
- Ethnic and cultural diversity
- Core engineering in heavy processing fields including communications
- Quality of life to attract and retain a workforce

D. Financial Capital:

- Beginning to attract international investment
- Contacts to global markets and investment opportunities
- Growth in early stage investments
- Good transactional support (doing development deals, from early stage to mature businesses)

E. Culture:

- Ethnic and cultural diversity
- Value a clean environment
- History of an inventive spirit

F. Higher Education Research Facilities

- NRRI/UMD/Lake Superior Research (higher education research institutes)
- Transportation research at UWS and UMD

G. Quality of Life

- Quality of life to attract and retain a workforce
- Strong fine arts and performing arts relative to size of the region's population
- Low crime rates

Geographic Proximity

- H. Geographic
 - International border with Canada
 - Lake Superior and Great Lakes system
 - Access to emerging markets in wind energy development

Sectoral – Business and Industry Concentrations

- I. Health care
- J. Mining both ferrous and non-ferrous
- K. Aviation
 - International support for aviation

Organizational/Leadership

- L. Legislative/Policy
 - Political clout – at both the federal and state levels
- M. Regional Collaboration
 - Good public/private collaboration
 - Great regional collaboration
 - Good transactional support (doing development deals, from early stage to mature businesses)

Weakness/Challenges for the Northland Region

Core Resources

- A. Infrastructure:
 - Captive rail – lack of competition
 - Lack of shovel ready development sites
 - Lack of robust telecomm in rural areas of region
 - No intellectual property attorneys in the region
- B. Workforce and Education:
 - Adults without or with just a high school education
 - Lack of basic technological skills i.e. basic computer skills
 - Low participation in education opportunities by minority groups
 - Not integrating higher education resources
 - Migration of higher education graduates from the region – brain drain
 - Research depth is lacking – need critical mass
 - Emphasis on innovation and invention is lacking
 - Lack of Ph.D. programs in the region
 - Huge imbalance in public sector employment (changing)
 - Workforce attraction and retention
 - Ability to recruit middle and senior management
 - Lack of spouse and trailing spouse opportunities
 - No mechanism to recruit employees

- Lack of research and analysis verification
- C. Financial Capital
- We are risk adverse – i.e. limited venture capital investment
- D. Culture:
- Reluctance to change (inherent)
 - We don't welcome new folks
 - We don't celebrate business or business success...this is a cultural view toward business and the success of businesses (crawfish syndrome)
 - Lack of cooperation and competitiveness averts alignment is this a cultural thing?
 - Us vs. them mentality
 - Public expects us to focus on "big projects"
 - Don't recognize the spin-off jobs
- E. Image and Branding:
- Region not branded for bio-tech
 - Not well perceived by the surrounding collar region
 - We don't tell our story or collaborate beyond the region
- F. Government and Public Policy:
- Public policy barriers for access to resources
 - Excessive timelines for environmental review and permitting
 - Excessive taxes and fees
 - Public sector disproportionate role in economic development

Geographic Proximity

- G. Geographic
- Distance to market and dead hauls which affects costs
 - Remote and cold
 - Distances in this large region

Sectoral – Business and Industry Concentrations

- H. Health care sector isolation

Organizational/Leadership

- I. Regional Collaboration
- No regional mechanism to talk about challenges and opportunities
 - Workforce development later to the table (economic development/workforce collaboration)
 - Collaboration with tribal community
 - Provincialism
 - We don't tell our story or collaborate beyond the region
 - Lack of cooperation and competitiveness averts alignment is this a cultural thing?
 - Number of workforce and economic development organizations and agencies (alignment issue)

- Getting broader business leadership participation in these efforts
- Understanding of the regional economic impacts and synergies (definition of the region)

As you review and think about these perceived strengths and weaknesses a number of mixed messages surface related to collaboration, cultural attitudes and influences, diversity, and education and research capacity. There are also key strengths that clearly stand out related to our resource base, several major business clusters, current political clout and the growing influences of foreign investments in a global and changing economy. We have control over some of these variables and others are out of our sphere of influence. Our challenge is to decide what we intend to influence and how to make a difference by engaging and aligning our region strategically.

Opportunities and Threats for the Northland Region

Opportunities reflect existing and future sources of economic development for the Northland Region and need to be addressed. Threats are both internal and external and are usually beyond the control of the region which necessitates focused and collaborative actions to make effective change. The level of control and influence is a question for our leadership in addressing both opportunities and threats to our economic future.

Opportunities are both internal and external and can be categorized into five areas:

- Industry based
- Geographic within the region
- Geographic outside the region
- Business markets
- Consumer markets

Threats can be internal or external and should be prioritized and addressed as appropriate.

The following is a summary of both the opportunities and threats identified by the Leadership Committee for further discussion, priority setting and action.

Opportunities for the Northland Region

Core Resources

- A. Workforce and Education
 - Recruit workers from declining regional economies nationally
 - New educational opportunities like Iron Range Institute/Academy
 - Spin-off opportunities associated vocational rehab (lower tech build off strengths)
 - R&D through university and health care industries in the region
 - Lifestyle attraction for entrepreneurs and skilled worker recruitment
 - Retirement community expertise, equity investments, consulting and coaching resource
 - Retaining the temporary workforce related to large-scale development
 - 2,500 students retained (higher education/colleges)
 - Mix of computer software developers with engineering firm strength

- B. Infrastructure Development
- Multi-modal shipping hub with tie to Winnipeg
 - Increased Lake Superior shipping as other transportation costs increase
 - Distance to market minimized by use of the internet
 - Broadband development in the region
 - Utilize the arts network. We have the capacity and collaboration and infrastructure in place now – develop the linkages
 - Take advantage of key waterfront properties (higher end tourism focus)

Geographic Proximity

- Attract private pay medical payments from Canada (Thunder Bay, Winnipeg)
- What's happening in Canada that we could supply and support?

Sectoral – Business and Industry Concentrations and Markets

- C. Knowledge economy (broad based... building on our strengths)
- Data center development and management consulting
 - Mix of computer software developers with engineering firm strengths – spur innovation in key niches
- D. Diversification beyond current primary sectors
- Cold weather testing
 - Niche specialties development in organic farming, flowers and other niches
 - Spin-off opportunities associated vocational rehab (lower tech that builds off our strengths)
- E. Energy
- Existing business base could expand and transform into renewable energy
 - Renewable green development – wind, water, wood, buildings
 - Alternative energy to retain home heating and transportation wealth in the region
 - Wood biomass – technical transfer for manufacturing of energy related equipment
 - Energy efficiency initiative to retain the payback wealth
 - Transform paper industry into chemical and/or renewable energy industries – both are opportunities
- F. Mining
- Non-ferrous and other value-added minerals development opportunities
 - Mining innovation
- G. Aviation
- General aviation innovation and value-added
- H. Tourism
- Passenger line shipping on Lake Superior
 - Take advantage of key waterfront properties (higher end tourism focus to expand the tourism market potential)

Organizational/Leadership

- Engage business and industry in these regional discussions
- Use of Web 2.0 – online mass collaboration as a new communications and engagement tool
- Celebrating our communities and the region

Threats to the Northland Region

Internal Focused

Workforce and Education

- Weakening work ethic, it's changing and much different
- Lack of career orientation
- Shrinking and unprepared adult workforce – lack higher education attainment
- Intergovernmental workforce issues – productivity and entitlement expectations
- Diversity of our population...lacks diversity
- Lack of appreciation
- How to assimilate workers
- Workforce replacement needs
- More educated workforce needs to compete
- Less births impact on future workforce

Natural Resources

- Scarcity of woody biomass – management is the key
- Susceptible to boom and bust tied to natural resources economy
- Aquatic & invasive species on lakes

Legislative Policy and Financial Resources

- Short-term – Minnesota's governor unallotments in 2009
- Budget caps in both states
- Future loss of grant driven economic development rewards and costs are a frustration
- Loss of Obey & Oberstar (power in Washington)

Industry

- Potential loss of significant employers
 - Air National Guard
 - Cirrus
 - Paper mills
- Pace and timing of large scale projects development on the Iron Range

Regional Collaboration

- Lack of tribal involvement in regional economic development
- Loss of focus by the entities that need to implement this strategy – we won't be successful without continued focus and commitment to action and results
- Tendency to “point fingers” instead of solving the problem
- Perception of our region

External Focused

Global Economy

- Unknown – the shake out of the economic downturn (new world economy?)
- Possible “double dip” on the existing recession (housing, credit, inflation)
- Depressed commodity prices
- Competition with other regions and globally

Environmental

- More restrictive environmental requirements
 - Cap and trade for carbon emissions
 - Renewable energy mandates
 - Expanding push for environmental concerns that become law
 - Time limited mandates and how they may change (long-term)
 - Regulations/control needs
 - Increase in transportation costs – driven by energy costs and regulation/mandates
- Aquatic & invasive species on lakes
- Water management/water shortage and quality issues (rules/interpretations are changing)
- Climate change

Industry

- Health care reform and transitions
- Will technology delivery systems meet demand?
- Energy costs/social engineering

Legislative

- Political clout shift to metro areas/demographic shift