



Kern 2.0

Building Our Next Generation Regional Economy

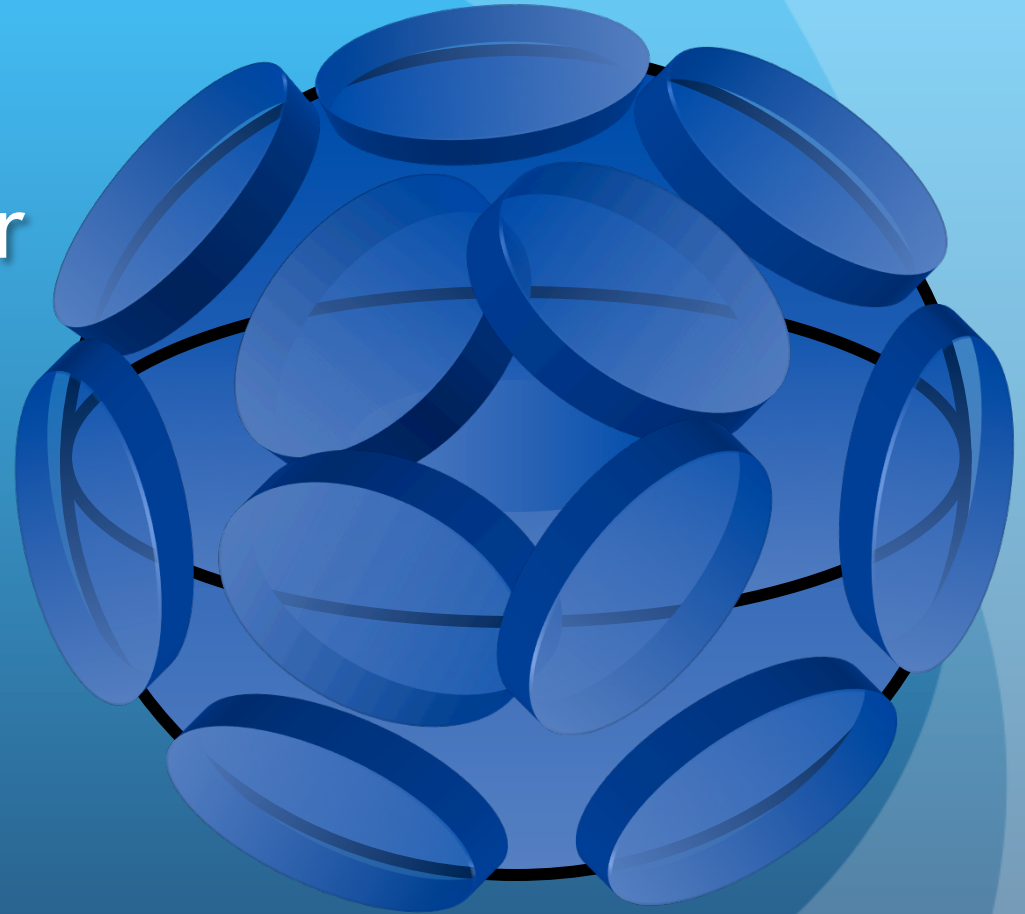
Applying Collaborative Strategy to Shape Our Future



Outside the box...
And across our region

Framework for Our Next Generation Economy

Basic Lessons from
a World of Experience



Principles for Building a Next Generation Economy

1. Think Regionally

- Metropolitan regions drive the world economy

2. Focus on Clusters

- Your portfolio of innovation-driven Industry agglomerations shape and drive regional economic performance

3. Build Input Foundations

- Advantages in economic inputs enable formation, expansion and attraction of regional economic “engines”

4. Collaborate to Enable Markets

- Working across jurisdictions, institutions and sectors enable building shared regional economic advantage



1. Think Regionally to Compete Globally

The world economy is driven by metropolitan regions

The national economy is the sum of our regions' performance

Cities

Metro Region

State & National

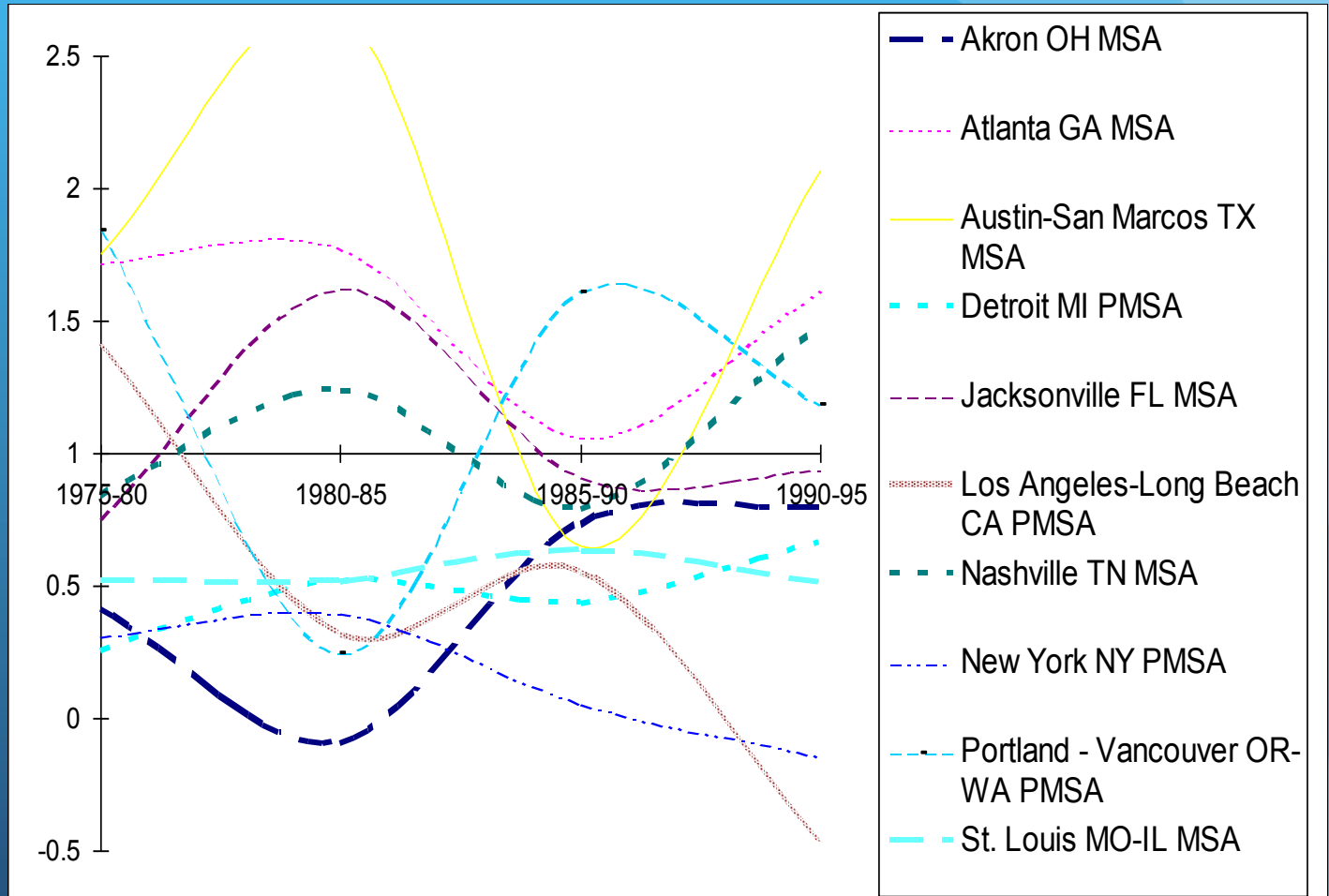
Global Linkages

Everyone is part of the economy

You cannot "outsource" economic development

The Reality: External Macro Factors Alone Do Not Explain Growth

US Regional
Performance
1=US Average



Regions Can Learn & Change: Looking Back

- **Austin, TX (1983 & 1997)**
 - Chamber, city and surrounding communities agreed to build “Austin Innovation Economy”.
- **Silicon Valley (1992)**
 - Chambers, companies, leading to “Joint Venture: Silicon Valley Network”
- **Greater NYC (1995)**
 - Third Regional Plan led to adopted cluster approaches
- **San Antonio, TX (2000)**
 - City, chamber, surrounding communities created “San Antonio Technology Accelerator” and multiple cluster initiatives
- **Albuquerque, NM (2001)**
 - City, chambers, banks, utilities, SNL launched “Next Gen Economy Initiative”
- **Baton Rouge, LA (2002)**
 - Chamber, City, parishes, state collaborated in regional strategy
- **Wichita, KA (2015)**
 - Chamber, City, Counties, companies adopted BREG framework and actions

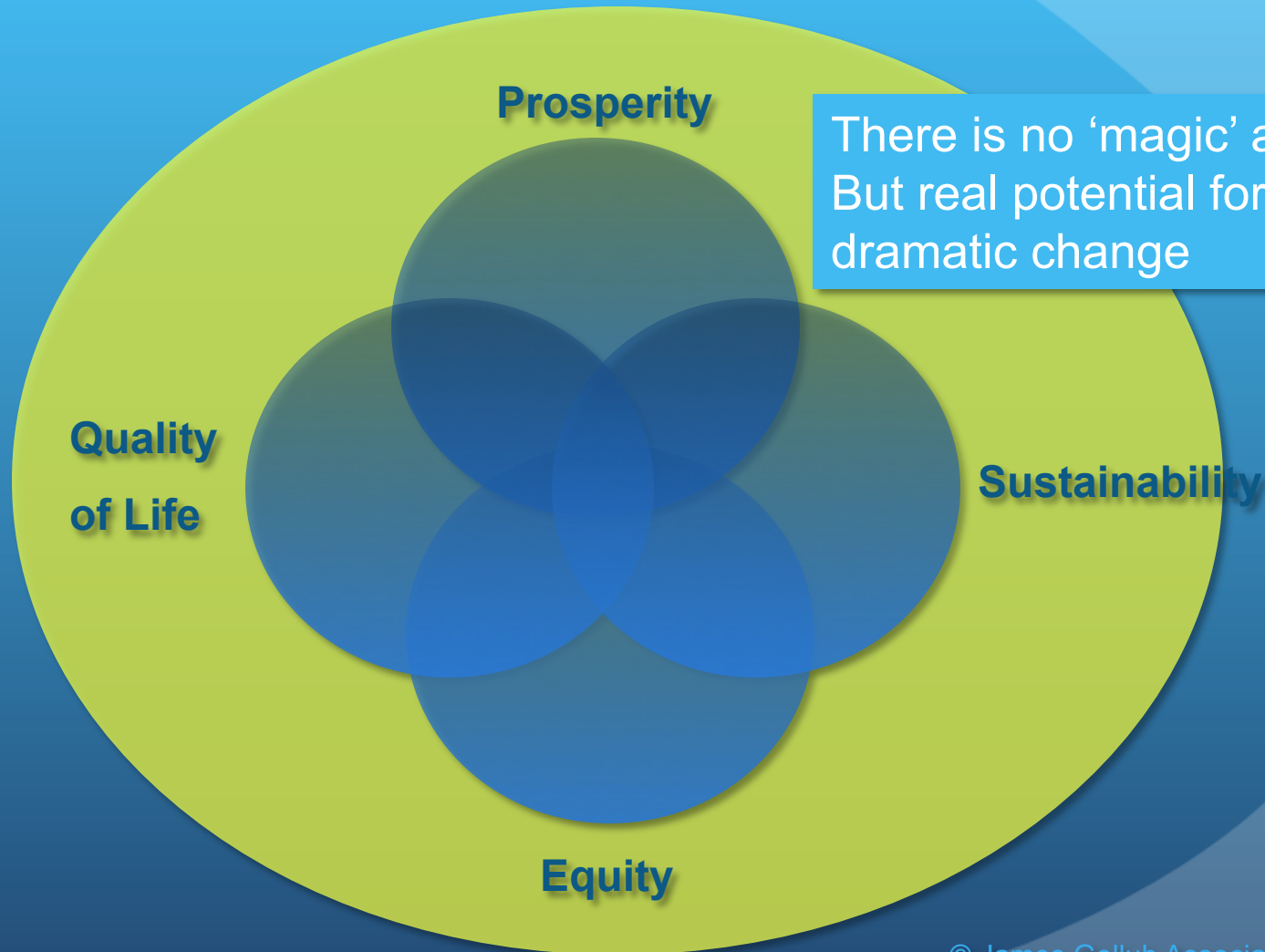
Kern County Performance Today? (1998-2016)

- **GDP Per Capita:** \$39,727, grew at 3.05%, rank 56th
- **Annual Wage:** \$43,788 grew at 2.85%, rank 15th
- **Employment:** Grew at 1.63%, rank 15th, 190,503 jobs
- **Poverty Rate:** Rose 1.90%, rank 61st, 22.40% of population
- **Labor Force Productivity:** Grew at 3.63% rank 18th (GDP per worker is \$137,199)
- **Innovation:** Down 0.26% rank 36th, 4.36
- **Establishments:** Up 2,015 for a total of 12,724

Lesson: Is Kern County Thinking Regionally to Compete Globally?

- **It's a big world**
 - Companies look for cohesive partnership, not silos
- **Think many small solutions (not grand illusions)**
 - Great expectations require many down-to-earth actions
- **Focus on inclusiveness**
 - *Everyone* is a partner or “supplier” in the economy
- **Avoid jurisdictional battles**
 - Everyone wins in the region
- **Build up from the economy's assets**
 - Collaborate regionally to group resources

Goal: A High-Performing Economic Region Leveraging Existing Assets in New Ways



2. Clusters Drive Regional Performance

- **Clusters are the “engines” in your economy**
 - They export or “trade”, bringing revenue *into* the region to offset domestic trade imbalance
- **Every region can have an economic “portfolio” of clusters**
 - They typically account for about 25% of jobs...
But their multiplier effects generate the rest
- **Clusters are a “layer cake” of business relationships—vertically & laterally**
 - *Depth* of value-chain: Producers, suppliers, *and* economic institutions
 - *Breath*: *diversity* of enterprise across segments
- **Clusters grow from “innovation seeds”**
 - Through enterprise formation, expansion and attraction



Clusters: An Economic Layer Cake

Target Markets

International

Domestic

Local

Sole
Proprietorships

International
Headquarters

Branch Plant or
Division

Producers and Suppliers

Material & Equipment
Parts & Components

Design,
Engineering &
Production

Legal, Financial &
Real Estate

Marketing &
Distribution

Economic Input Institutions

Innovation

Workforce

Finance

Logistics

Resources

Governance

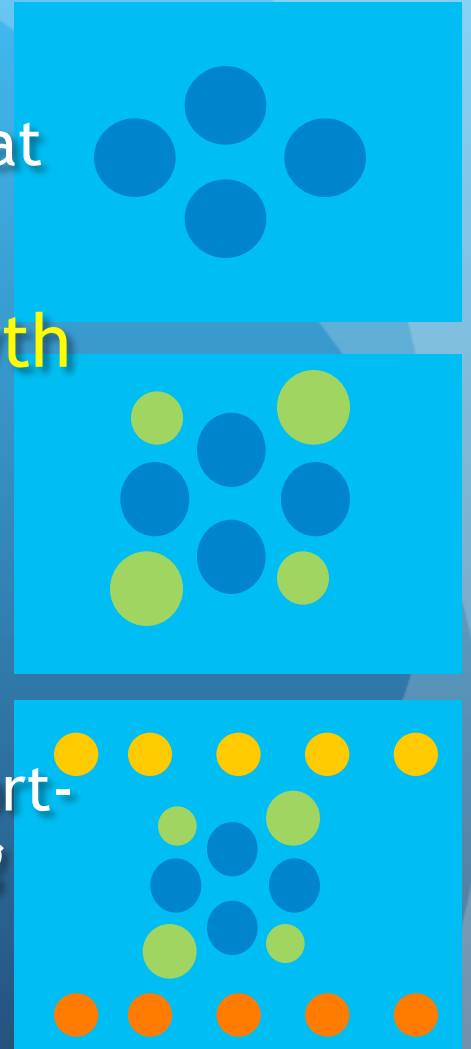
Quality
of Life

Cluster Economies Grow in 3 Ways

- **Innovation**—Solving a problem facing broad markets or delivering new value to users
- **Competitiveness**—Delivering a commodity more efficiently or effectively than others
- **Capturing Value**—Local sourcing or import substitution on goods or services produced

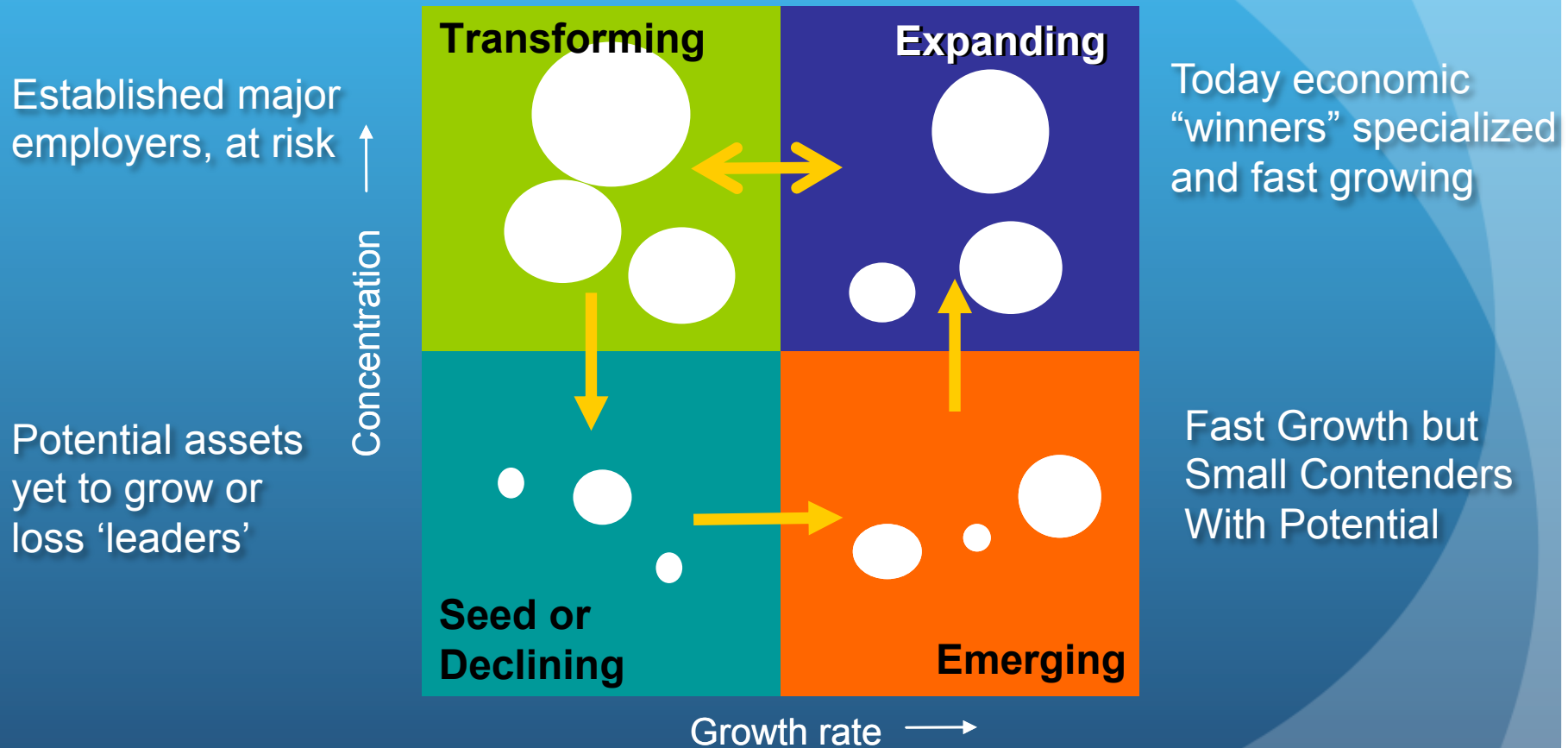
Regional Cluster Development Goals

- **Aggregate—Grow Around Solutions**
 - Form and attract multiple companies that serve *similar* markets in new ways
- **Synergy—Diversification Driven Growth**
 - Expand and co-locate companies in *complementary* fields
- **Leverage—Grow Value-Chain**
 - Grow *up-stream* or *down-stream* value associated with primary services or export-driven activities *rather than outsourcing*



Lesson: Understand Your Cluster Portfolio

Meet Needs of Each Cluster thru Stages of Their Lifecycle



Kern Cluster Portfolio Summary

Strongest Performers: -1.30% Growth Rate,
41.25% of Total Jobs, Rank 67% Nationally

- Agriculture: 4,990
- Construction: 3,280
- Food Processing: 6,610
- Insurance: 2,300
- Nonmetal mining: 940
- Oil and Gas: 7,800

High concentration of jobs
in clusters that are at
the transforming stage:

- Automation impacts
- Competitive markets
- Opportunities for innovation

All Clusters by Employment

By Size, Growth & Rank Nationally

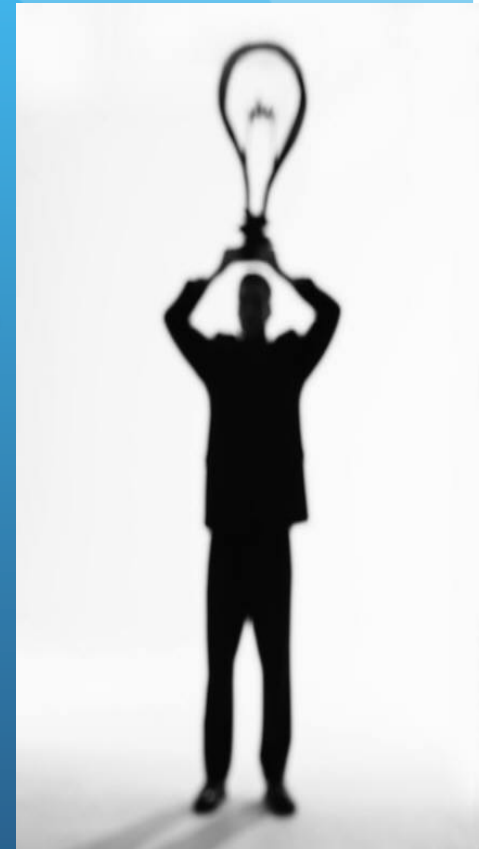
- **Business Services:** 11,080 (growing, but a bit below US average, rank 171)
- Distribution and Electronic Commerce: 10,278 (higher than US average growth, rank 129)
- **Oil and Gas Production and Transport:** 7,804 (lower than US average growth, rank 7)
- Food Processing and Manufacturing: 6,610 (higher than US average growth, rank 14)
- Agricultural Inputs and Services: 4,993 (much higher than US average growth, rank 1)
- Hospitality and Tourism: 3,551 (rank 184)
- **Construction Products and Services:** 3,281 (higher than US average growth, rank 34)
- **Insurance Services:** 2,300 (rank 152)
- Transportation and Logistics: 1,977 (rank 150)
- Education and Knowledge Creation: 1,250 (slightly higher than US average growth, rank 357)
- Aerospace and Defense: 1,135 (higher than US average, growth rank 76)
- Nonmetal mining: 940 (higher than US growth rate, rank 3)
- **Financial Services:** 938 (rank 242)
- Plastics: 625 (rank 328)
- Production Tech & Machinery: 529 (rank 513)
- Performing Arts: 480 (rank 134)
- **Electric Power Gen & Trans:** 423 (rank 91)
- Wood Products: 423 (rank 258)
- Marketing, Design & Publishing: 407 (rank 334)
- **Downstream Chemical Products:** 378 (rank 368)
- **Upstream Chemical Products:** 289 (rank 136)
- Communications Equip & Services: 351 (rank 222)
- **Information Tech & Analytic Instruments:** 134 (rank 538)
- **Biopharma:** 60 (rank 355)

Yellow: Higher than US average wages

3. Create Advantages in Input Foundations

Strengthen the Eight Building Blocks

- 1. Innovation:** Moving Knowledge to Market
 - Capacity to discover, develop, deploy
- 2. Work Force:** Delivering Competencies
 - Prepare, advance and renew skills
- 3. Finance:** Accessing Sources & Risk Management to Build Deal Flow
 - Capital to launch, expand, and adapt
- 4. Logistics:** Delivering the Goods
 - Transport, Communications, Transmission



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Create Advantages in Input Foundations (conc.)

5. **Resources:** Operating Systems

- Provide sustainable energy, water and waste management

6. **Marketing:** Connecting to Customers

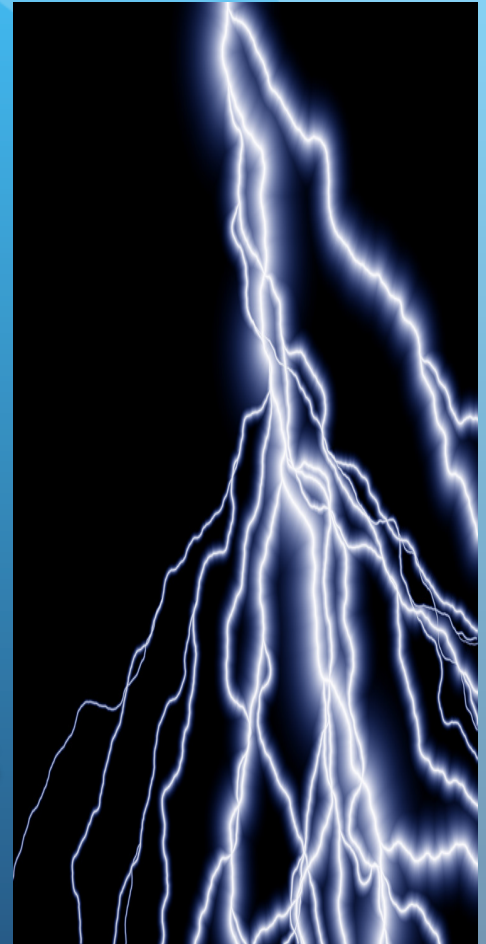
- Generating new product ideas, distributing products in global markets, and building “brand”

7. **Governance:** Rules of the Game

- Show ‘return on taxation’, efficient regulation, responsive administration

8. **Quality of Life:** Caring for Our Assets

- Enable achievable home ownership, health care outcomes and recreational opportunity



Lesson: Ensure Your Economic Inputs Perform *for* Regional Clusters

- **Capacity**

- Does output of graduates, intellectual property, investments, infrastructure contribute to and support regional industry needs?

- **Competency**

- Do they generate distinct capabilities that can enable and serve new and changing markets?

- **Responsiveness**

- Do they learn and specialize in requirements of each cluster and their different stakeholders?

Rethink Your Cluster Logic

Traditional cluster strategy focuses on organizing cluster groups and their suppliers as committees. *It misses the mark.*

Effective cluster strategy goes one step further to ensure that *economic institutions* are systematically connected to *each* cluster and their network of partners—whether emerging or established or to be attracted.

4. Collaborate to Compete

Markets are About Discovering Shared Values

- **Business to Business**
 - R&D consortia, alliances, buyer-supplier networks, shared services, joint ventures
- **Business to Institution**
 - Aligning provision of R&D, investment, training, logistics and marketing
- **Institution to Institution**
 - Joint R&D, provision and sharing of services, combining talent and facilities
- **Market Intermediary to User**
 - Aggregate demand across users (producers, providers, places and people) and mediate delivery to customers (financial pools and programs)



To form, expand & attract

Changing Behavior of Markets: Four Approaches to Demand & Supply

- **Inform:** Provide information that shows opportunities, introduce partners and mediate agreements
- **Enable:** Change rules to eliminate barriers or create new demands that must be served
- **Induce:** Use one time incentives or investments to reduce marginal cost of new market entry that generates clear returns
- **Sustain:** Structure pricing to open opportunities, whether by income, need or location

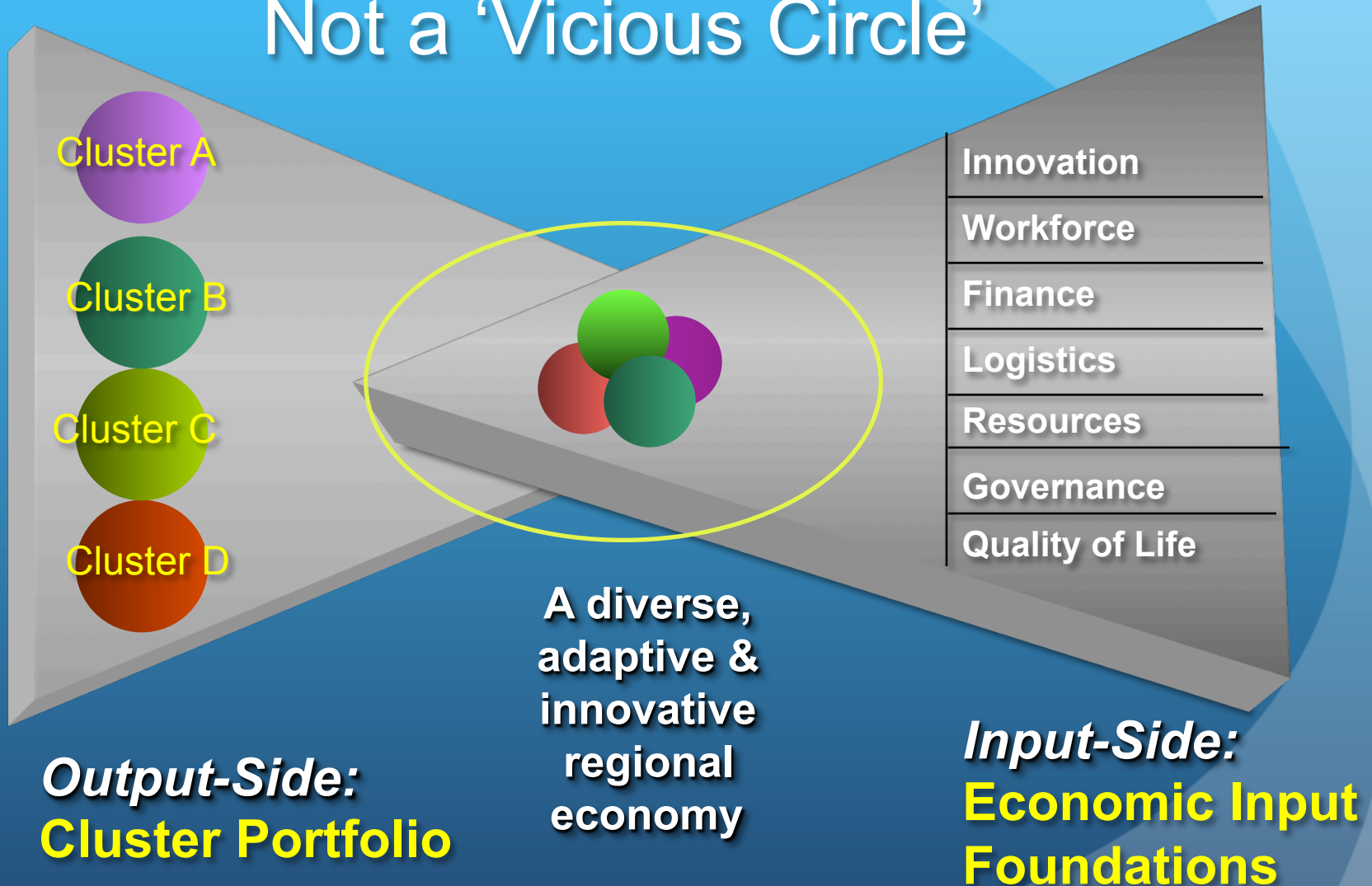
Lesson: Collaboration is about Helping Markets Work

The Goal: Meaningful engagement across the region to change economic behavior...

- **Convene the Marketplace**
 - Bring together all levels of regional clusters—producers, suppliers, institutions
- **Engage Stakeholders**
 - Large and small firms, public and private organizations and agencies, all levels
- **Create 'Communities of Exchange'**
 - Define collaborative actions for which participants are responsible for implementing—with real agreements, not plans

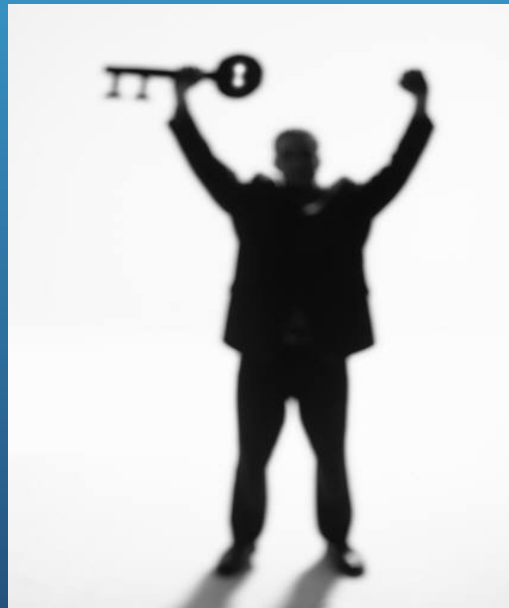


Outcome: A 'Vital Cycle' Not a 'Vicious Circle'



Applying Principles to Next Generation Economic Strategy

Five Key Steps



Key Strategy Steps to Next Generation Economy



Step 1. Mobilize—Engage the Region

Objective: Ensure readiness *and* capacity of key stakeholders in and across regions so they can effectively engage in the collaborative strategy

- Leadership and Community Briefings
- Prepare Region for Collaborative Process
- Form a “Stewardship” Group (servant leaders)
- Complete Schedule and Communications Plan
- First Regional Town Hall
- Establish Regional Collaborative Networks



Lesson: Your Leadership Priorities Have Committed Stewards



- Find “Collaborative Entrepreneurs”
- Choose “Catalytic Intermediary”
- Select Real “Stewards”
- Make the Strategy an *Economic Movement*
- Start with Everyone On Board
- Launch an Open Process

Step 2. Analyze—Diagnose the Region

Objective: Establish a diagnostic baseline to guide the collaborative regional strategy and track its progress

▪ Performance Outcomes

- Assess overall regional measures of prosperity, disparity, sustainability, quality of life

▪ Economic Drivers

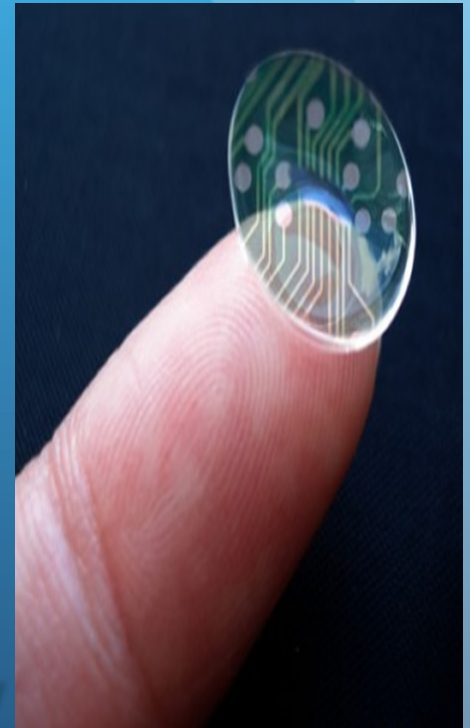
- Identify and comparatively analyze competitiveness of clusters at all stages of development

▪ Economic Inputs

- Assess each micro-economic building block in terms of comparative capacity, competency and responsiveness

▪ Deliver Findings—Engage Private & Public Sectors

- Complete diagnostic report integrating key elements
- Convene second regional hall. Stewards showcase regional story
- Publish diagnostic report on-line and through community channels



Lesson: Diagnosis Matters

Think Regional “Holding Company”

Cluster-focused regional input advantage goes in...



Enterprise formation, business expansion and industry attraction comes out...

- **Regional Performance: Outcomes**
 - What politicians, families and business worry about at the end of the day
- **Economic Drivers: Your Clusters**
 - The export-focused industries that managers, owners and workforce want to see succeed—Where we earn our living
- **Economic Input Foundations**
 - The quality micro-economic inputs that form, retain and grow, or attract businesses in each cluster—No advantages, no clusters.

Step 3. Catalyze—Complete Cluster Strategies and Flagships

Objective: Develop bottom-up, market-driven, collaborative solutions to each cluster's competitive challenges *and* cross-cutting regional “flagships”

- **Build & Manage Cluster Groups**
 - Co-chairs, supply-chain, and economic input providers
- **Round 1: Identify Shared Cluster Challenges**
 - *Then* Stewards & Cluster Chairs Identify Cross-cutting Challenges
- **Round 2: Propose Collaborative Cluster Solutions**
 - *Then* Stewards & Cluster Chairs Define Cross-cutting Actions
- **Round 3: Action Teams Develop Business Plans**
 - *Then* Stewards & Cluster Chairs Build “Flagship” Teams
- **Round 4: Validate Action Plans, Cluster Strategy**
 - Stewards & Cluster Chairs Finalize Strategy Elements



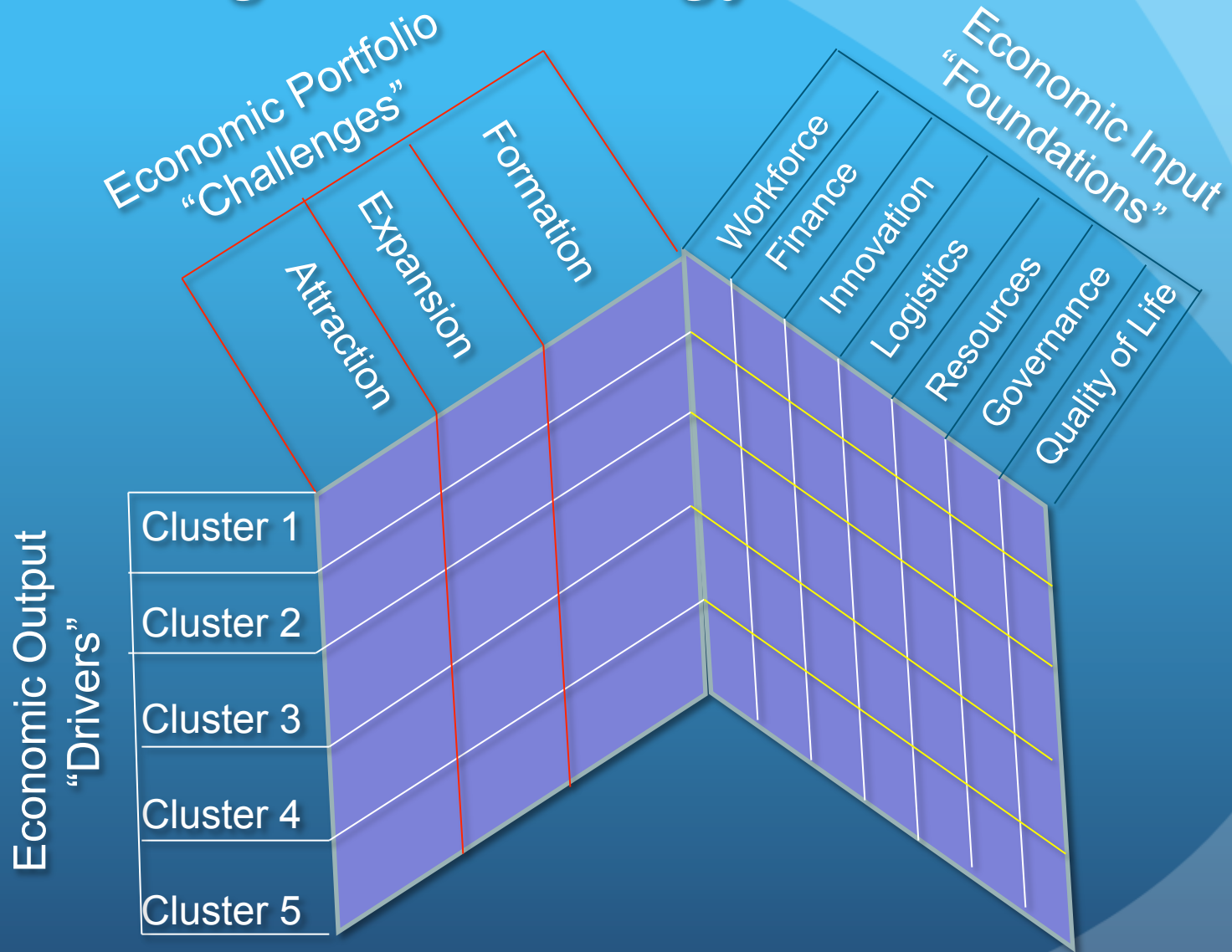
Lesson: Convene the Marketplace Where Economic Reality Takes Shape

Regional Cluster Working Groups



Goal: Build Regional Collaborative Solutions.

Goal: Regional Strategy-focused Actions



Result 1: Cluster-Specific Actions

Building Blocks for a Cluster Strategy

■ Innovation

- Pre-competitive R&D consortia, commercialization entities, cluster networks & innovation 'hubs'

■ Workforce

- Academies, training partnerships, mentoring & talent recruitment

■ Finance

- Deal readiness service, pre-seed funds-angel networks, local ventures leverage external capital

■ Logistics

- Third-party logistics, multimodal transport hubs, high bandwidth

■ Resources

- Shared energy (CHP), water recovery, waste treatment & conversion

■ Marketing

- Shared market research, partner-matching service

■ Governance

- Smart districts & zones, permit streamlining, funding packages

■ Quality of Life

- In-town housing, production & insurance finance pools, creative industry precincts

Result 2: Flagships

Crosscutting Initiatives

- **Legacy Initiatives—Fixing the Past**
 - Regional actions to solve an agreed upon problem that has long existed but lacked combined support—whether a policy change or investment in shared infrastructure.
- **Catalytic Initiatives—Opening the Future**
 - Regional partnerships to open new economic opportunities, such as an advanced manufacturing initiative or innovation zones

Workforce

Innovation

Governance

Finance

Logistics

Resources

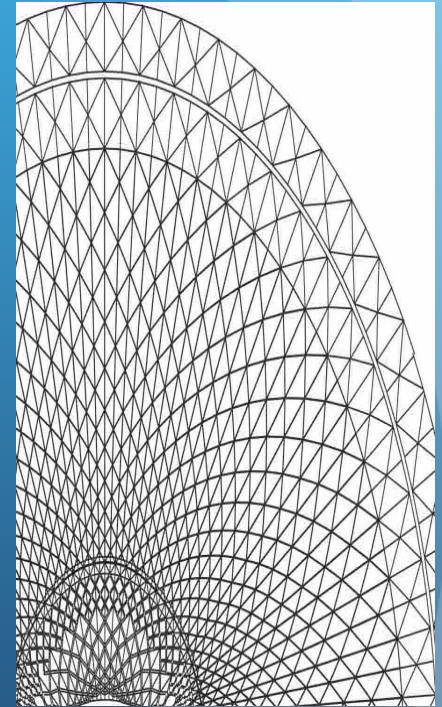
Marketing

Quality of
Life

Step 4. Realize—Build Implementation Mechanism and Launch Actions

Objective: Formalize a regional implementation partnership that will sustain implementation of individual cluster groups and their actions and concurrently launch cross-cutting flagships

- Stewards & Cluster Chairs Finalize Plans
- Design Implementation Mechanism (existing or new entity)
- Complete the Regional Cluster Competitiveness Strategy
- Third Regional Town Hall Launch Event
- Start Implementation: Fully Functional Regional Cluster Networks and Flagship Initiatives



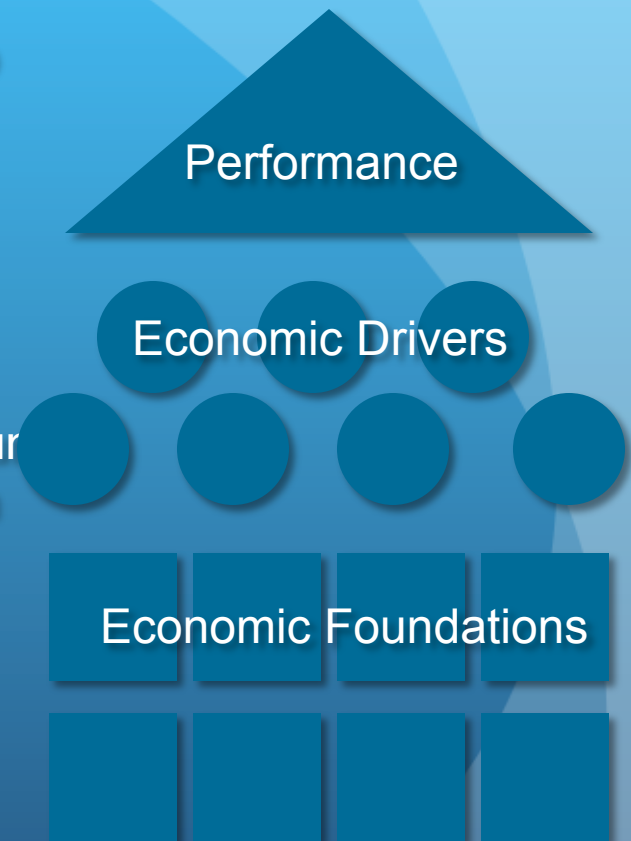
Lesson: Build a Regional Partnership Convene Market for *Shared* Goals

- **Mission**
 - Priority focus on a high performing regional economy
- **Leadership**
 - Strong “stewardship” group to rally stakeholders
- **Membership**
 - Engages input & output sides of the region in *new* ways
- **Structure**
 - Organized to optimize demand-supply dynamics
- **Communications**
 - Provides channels for sustaining engagement



Lesson: Build a Realistic Regional Vision Achieve a High 'Return on Solution'

- **Performance Outcomes—What you wake up to**
 - Improve measurable prosperity, sustainability, quality of life for its citizens
- **Economic Driver Portfolio Outcomes—What creates wealth**
 - Build the composition and competitiveness of our clusters through enhanced formation, expansion and attraction
- **Economic Input Foundation Outcomes—What enables industry growth**
 - Deliver inputs needed by each cluster and build needed *cross-cutting* building blocks—innovation, skills, capital, logistics, governance & quality of life



Step 5. Actualize— Ongoing Implementation of Solutions

Objective: Ongoing operation of regional competitiveness entity to assist implementation of cluster actions, flagship initiatives and track progress



- **Quarterly Meetings**
 - Prepare for and convene cluster delegates, foundation teams and stewards on quarterly basis to track progress, assist implementation, undertake collaborative continuous improvement activities.
- **Support Cluster Action Initiatives**
 - Solicit, screen, award competitiveness matching grants (from fund), mediate collaborative actions and track progress.
- **Launch Flagships Initiatives**
 - Multi agency and “user” stakeholder teams complete business plans, leverage competitiveness fund foundation matching grants, begin operation of each prioritized flagship
- **Track Results**
 - Quarterly and annual monitoring of process outcomes and economic impact outcomes on overall performance, on each cluster and on each economic input foundation

Goal: A Partnership for 21st Century Economic Action on *Continuous Improvement*

Cluster A

Cluster B

Cluster C

Cluster D

Regional Partnership

Delegates:
Each Cluster Represents Their Strategy

Input Teams:
Public & Private Economic Institutions

Support for Cluster Strategies & Their Actions

Support for Crosscutting Initiatives

Innovation

Workforce

Finance

Logistics

Resources

Marketing

Governance

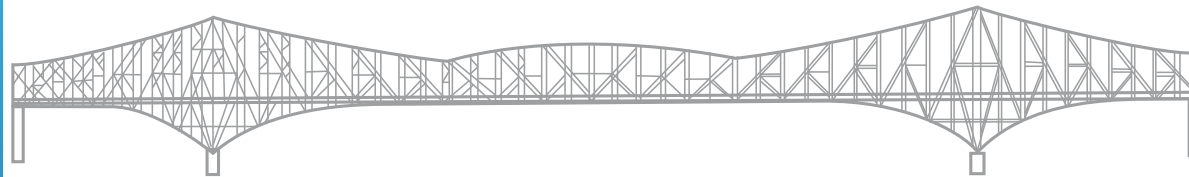
Quality of Life

About James Gollub Associates

- **40 years as economic strategy consultant**
 - Innovation-driven, bottom-up, market-focused, collaborative action
- **A co-founder of field of cluster-based economic strategy**
- **Serving nations, states, regions & institutions globally**
 - 30 regions from Austin to Silicon Valley to Bangalore to Hong Kong
 - Many cluster *specific* strategies: clean tech, biomed, creative, tourism
 - 15 S&T parks, tech institutes serving as “innovation bridges”
- **Past National Work: EDA, HUD, NSF, HHS, DOE**
 - America’s Clusters: Map-Analysis of National Clusters
 - Cluster-based Economic Development: A Key to Regional Competitiveness
 - America’s Regions in the Global Economy
 - Southwest as a Region of Innovation



James Gollub Associates



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Building Bridges Along the Innovation Pipeline

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