



# Catalyzing Regional Economic Transformation

Lessons from funder collaboration  
in Northeast Ohio

October 2013

# About the Report

## John S. and James L. Knight Foundation



Knight Foundation is an independent, national foundation founded in Akron in 1950. Although its headquarters are now in Miami, the foundation has invested more than \$150 million in Northeast Ohio, including its support for the Fund for Our Economic Future.

Knight believes that strategic assessments provide useful insights about the direction of its grant programs and the work of its grantees, generating lessons that can be shared among organizations with similar goals. This strategic review of the Fund's work, funded by Knight Foundation, is part of that effort. The foundation supports transformational ideas that promote quality journalism, advance media innovation, engage communities and foster the arts. Knight Foundation believes that democracy thrives when people and communities are informed and engaged.

[knightfoundation.org](http://knightfoundation.org)

## FutureWorks



In 2012 the Fund for Our Economic Future hired FutureWorks, a consulting and policy development firm, to conduct a strategic review of its work. The assessment spotlighted the accomplishments and challenges the Fund faced during its first seven years, from 2004-2011, and recommended changes the Fund could make in its approach to strengthening the economy of Northeast Ohio. This report distills some of the key observations from that assessment.



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# Foreword

Regions across the United States face economic and societal challenges too large to be solved by any single organization. Collaboration across all sectors—business, government, nonprofit, philanthropy —will be vital for addressing these issues meaningfully. But as attractive and promising as the premise of collaboration may be, it's equally demanding and difficult to do effectively.

The Fund for Our Economic Future knows the promises and pitfalls of collaboration quite well. The Fund was formed in 2004 to address the long-term economic trajectory of Northeast Ohio, a region that has faced great challenges precipitated by the decline of its traditional manufacturing industries. The philanthropic organizations which formed this funder collaborative were concerned with how the struggling economy was fueling rising levels of poverty, income inequality and other negative consequences that if left unaddressed would debilitate the region for generations to come.

Nearly a decade later, the Fund can point to important accomplishments through its work to date as well as challenges that remain ahead. Business growth efforts supported by the Fund have created thousands of new jobs and attracted hundreds of millions of dollars to companies in the region. However, the Fund hasn't made as much progress addressing other strategic goals in Northeast Ohio, including talent development, economic inclusion and government efficiency.

The Fund concluded a strategic review of its work last year that examined its impact to date and the implications for its strategy. Amid the strengths and weaknesses identified in this assessment, an important message stood out: Members of the Fund consistently referred to the meaningful collaboration fostered between regional stakeholders as being the "special sauce" of the Fund.

We believe the lessons learned from the Fund's experience promoting regional collaboration will be valuable to civic leaders elsewhere seeking to partner with others in their regions to develop, implement and sustain strategies for addressing systemic issues. In this report, we've aimed to candidly discuss the collaboration in Northeast Ohio to date and spotlight what's worked and what hasn't, and why. Ultimately, we believe that cross-sector collaboration, done effectively, will be vital for transforming the economic outlook of Northeast Ohio and regions around the country.

Ever onward,

## **Brad Whitehead**

President, Fund for Our  
Economic Future

## **Deborah Hoover**

Chief Executive Officer/ Fund Chair  
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## Executive Summary



Courtesy Akron Marathon

Northeast Ohio—home to four major metropolitan areas, more than 4 million people and a \$180 billion regional economy—faced in 2004 what the Cleveland Plain Dealer dubbed a “Quiet Crisis.” Employment growth in the region had lagged the rest of the nation for the prior two decades and manufacturing’s share of total regional employment had fallen by half. The population was declining and poverty was on the rise, particularly in urban areas.

Community and private foundations were waging an uphill battle responding to the increasing needs for social services that were straining the resources of nonprofits in the region. Philanthropic organizations were quickly coming to the realization that the only way to meaningfully address the challenges of poverty and unemployment would be through a more holistic effort to promote regional economic opportunity.

In response, a set of philanthropic institutions from across Northeast Ohio launched the Fund for Our Economic Future (the “Fund”) in 2004 to promote a regional approach for increasing economic prosperity and opportunity. The original 28 Fund members committed a total of \$30 million over three years to begin restoring

regional economic competitiveness through pooled grantmaking, research and convening.

This unprecedented regional collaboration has grown in strength over time. The Fund now includes more than 50 voting members (see Appendix), which now go beyond philanthropic



institutions and include businesses, nonprofits, government stakeholders and higher education institutions. Funders have pooled more than \$90 million and invested nearly twice that amount through economic development grants made by their individual organizations, including \$141 million in grants in 2011 and 2012. Plus, the Fund has helped the region attract more than \$100 million in federal and state support for its strategies.

The Fund's investments and strategic guidance since 2004 have spurred the development of the region's innovation ecosystem and advanced new industries. In 2011, Northeast Ohio ranked second in the country in job growth and its unemployment rate of 7.4 percent outperformed the national average of 8.5 percent. By the end of 2012, the Fund's efforts had contributed to more than 12,000 new jobs, nearly \$400 million in new payroll generated through new businesses, and almost \$2.2 billion in new capital to sustain existing businesses and grow new economic activity. Encouragingly, the results appear to be compounding: More than half of the gains in these metrics occurred between 2010 and 2012.

While there's clear evidence of initial progress, the region still faces enormous economic challenges. Despite recent decreases in the unemployment rate, it has not returned to pre-recession levels and many expect it won't for several years. Furthermore, household income in the region has declined by 8 percent since the recession began in 2007 and 12 percent over the past decade. Those losses haven't been distributed equally; while the region's wealthiest

households have seen incomes increase by an average of 22 percent over the past decade, the number of families living in poverty has increased dramatically, especially in the metro areas<sup>1</sup>.

In order to better understand its impact to date and chart its future strategy, the Fund engaged the research and consulting firm FutureWorks to conduct a strategic review. The assessment spotlighted the accomplishments and struggles of the Fund over its first seven years while making several recommendations about adjusting the Fund's approach to strengthening the regional economy.

The Fund used the lessons identified through the review to shape its strategy as it began Phase 4 of the work in 2013. The Fund has worked closely with the private sector through the Regional Economic Competitiveness Strategy process, advancing a regional strategy owned equally by philanthropy and the private sector. In terms of its internal processes, the Fund has streamlined operations by simplifying committee structures and decision-making processes, extracting funders from more granular discussions and engaging them in conversations about higher-level strategy.

Going forward, the Fund continues to view evaluation of its impact as a core ingredient to strengthening its approach. Being transparent about its work and learning from related efforts in other regions will be essential for the Fund as it fosters long-term economic success in Northeast Ohio.

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<sup>1</sup> Robert L. Smith, "Census Report Shows Greater Cleveland Families Are Feeling the Sting of a Lost Decade," *The Plain Dealer*, September 22, 2011; Center for Community Solutions, "Indicator Report: Social & Economic Conditions in Northeast Ohio," November 2011.

## Lessons Overview

The Fund's experience produced several lessons about fostering effective collaboration that apply to business, nonprofit and government leaders partnering in any region to address systemic issues. The report provides details in each of these areas.

- **Advance research to forge consensus about priorities and approaches.**  
Identifying which issues to address and how best to address them can be difficult without compelling data. Research and analysis galvanize support for priorities and help stakeholders gauge success.
- **Incentivize collaboration through the promise of outside funding.**  
Encouraging multiple institutions to work together on developing proposals for federal and state grants helps form new relationships and shared strategies. Partners frequently deepen and sustain relationships after coming together through their initial mutual interest in applying for grant funding.
- **Build a public mandate for change.**  
An important part of creating momentum and political will in the region for economic reforms is informing citizens about challenges and enlisting their support for new approaches. Philanthropy can play a critical role providing offline and online forums for citizen engagement around critical interactions.
- **Attract private sector partners to execute, not just inform, the strategy.**  
Those with influence over a region's economic competitiveness need to be committed to a common approach. Philanthropy must engage with businesses in the region to align their actions and pledge resources over the long term toward achieving a shared vision.
- **Capitalize and shape the work of regional intermediaries.**  
A way to quickly gain traction can be funding existing intermediary organizations, which have buy-in from regional stakeholders. Philanthropy can play an important role in shaping the ongoing strategies of economic intermediaries to ensure they address social issues, not simply economic growth.
- **Staff the collaborative with core strategic competencies.**  
Involve funders in performing key elements of the work related to setting strategy and grantmaking, while supporting full-time professional staff who can promote thought leadership, convening, and research and analysis.



# Impact of the Fund



Aerial view of Cleveland

Since launching in 2004, the Fund’s evaluation committee has collected key metrics pertaining to business growth on a semi-annual basis from the economic intermediary organizations it has funded. Reported impact to date on these metrics is as follows:

	Phase 1 2004 - 2006	Phase 2 2007 - 2009	Phase 3 2010 - 2012	Phase 4 2013 - 2015*	Total
<b>Jobs</b>	487**	4,416**	7,544	2,096	<b>14,543</b>
<b>Payroll</b>	Not available	\$97 million	\$301 million	\$120 million	<b>\$518 million</b>
<b>Capital Raised</b>	\$156 million	\$1 billion	\$1.14 billion	\$575 million	<b>\$2.87 billion</b>

\* Estimated 2013 performance based on outcomes through June 30, 2013.

\*\* Jobs created and retained.



To gather deeper insights about its impact, the Fund hired the research and consulting firm FutureWorks to assess the strengths, challenges and emerging opportunities for the next phase of work. The review examined the Fund's progress advancing a common economic competitiveness

strategy in the region, the level of regional cooperation promoted, the value added through the Fund's leadership and research functions, and finally issues with organizational structure. Key findings include:

## Strengths

- **Business Growth**

There was broad cross-sector agreement that the Fund has been most successful promoting business growth. The Fund supported new business development through its investments in six regional economic development intermediaries. Nearly 3,000 of the jobs were created in 2011 itself, at an average salary of \$40K.

- **Capital Attracted**

The six economic intermediaries that the Fund supported have attracted \$1.14 billion to the region. All intermediaries cited the importance of the Fund's brand in securing additional investment. The Fund also helped secured \$19.2 million in federal and national grants to support its work and an additional \$117 million in state money to fund regional economic development initiatives aligned with its agenda (\$74 million of which is grantee related).

- **Philanthropic Coordination**

Funders have used the Fund to learn about economic policy issues and support an aligned approach to regional economic competitiveness. Annual philanthropic giving for economic development in Northeast Ohio had increased by more than 150 percent in 2011 since the Fund's inception. In 2011 and 2012, Fund members contributed more than \$141 million to economic development strategies across the region, with \$23 million invested directly in efforts aligned with Fund grantees. Many funders stated they had never previously invested in economic development and only decided to do so because of the Fund.

## Challenges

- **Regional Strategy**

Few felt the Fund's Advanced Northeast Ohio (ANEO) framework effectively served as a common framework to collectively guide the region's approach to advancing economic competitiveness, citing a lack of actionable and prioritized approaches. Even within the Fund, opinions vary about the relative importance of different components of the ANEO agenda. The Fund has concentrated its efforts overwhelmingly on business growth, the part of the agenda with the most consistent approach across funders, but has achieved less progress advancing other core priorities including talent development, racial and economic inclusion, and government collaboration and efficiency.

- **Business Retention and Expansion**

The Fund has focused mainly on attracting new technology-based industries. While successful, opportunities exist to complement this tactic with efforts to expand and retain existing small- and mid-sized companies, which generally fuel more job growth than new businesses (research shows business attraction efforts account for around 5 to 15 percent of new jobs, entrepreneurial ventures for 3 to 9 percent and existing businesses for 76 to 92 percent).<sup>2</sup>

- **Organizational Structure Issues**

The Fund employs limited staff and relies heavily on active funder engagement through multiple working committees. As the Fund's work has expanded, this process has become increasingly cumbersome and prevented the Fund from speaking with a unified voice. It appears that the collective decision-making processes and structures that seemed appropriate and effective during the Fund's early work increasingly made it difficult for the Fund to move quickly and decisively on important issues.

<sup>2</sup> John Haltiwanger, "Job Creation and Firm Dynamics in the U.S." National Bureau of Economic Research, Conference on Innovation Policy and the Economy, April 12, 2011; Eric P. Canada, "A Community's Best Companies Are Your Competitor's Best Prospects," Blane, Canada Ltd.



## Lessons About Regional Collaboration



Voices & Choices

Ask anyone in the social sector about keys to success and it won't take long until they mention the importance of "collaboration." Funders and institutions extol the virtues of close coordination to achieve greater impact. Certainly, there's great potential that comes from designing shared strategies and pooling funds to address issues that no single organization could address on its own.

All that said, collaboration can be quite messy in practice. Partners do not always agree on priorities and in some cases may possess competing interests. Funders can struggle with relinquishing control and their ability to support pet projects when grantmaking funds are pooled and allocated collectively. Finally, collaboration requires long-term commitments to be most effective, and this precludes funders from quickly shifting their priorities.

Through a decade of experiencing the ups and downs of collaboration, the Fund for Our Economic Future believes more than ever in the value of partnering to achieve regional economic transformation. The following lessons, insights and tips about collaboration based on the Fund's experience are meant to serve others seeking to maximize the value of collaboration while avoiding common pitfalls in the process.

## Lesson 1

# Advance research to forge consensus about priorities and approaches

People are entitled to their own opinions but not to their own facts. Philanthropy can unite people around common issues and approaches by supporting economic research and assessments. Conversely, a lack of critical information can preclude stakeholders from coming together to address key issues.

The Fund has had a few notable successes galvanizing momentum through its support of research and analysis. A primary example has been What Matters to Metros (formerly titled Dashboard of Economic Indicators), an annual report by the Fund profiling key economic indicators in the region. The report is developed in partnership between Cleveland State University, which performs the statistical analysis; the Fund, which interprets results and trends and



Lorain County Community College

disseminates results; and the Federal Reserve Bank, which provides guidance and counsel. The dashboard helped inform the business community's involvement in the current Regional Economic Competitiveness Strategy, and the inclusion of indicators related to educational attainment, land use and government efficiency has served to expand the definition of economic prosperity. The dashboard is also a way the Fund "keeps score," tracking performance on critical outcome measures that hold institutions accountable for their results.

Alternatively, conducting more research and analysis related to talent development in the region early on could have allowed the Fund to attract more support for the issue. There was no comprehensive analysis showing trends related to talent in the region (e.g., levels of educational attainment, number of workers in high skill occupations). The absence of this information limited the Fund's ability to demonstrate the economic returns of education and skill development and to promote a more market-driven talent development system. There has also been a lack of actionable information related to the Fund's goal of promoting more racial and economic inclusion; little data exists in the region about labor force participation levels and trends, the number of minority-owned enterprises,

access by minority groups to education and skill development opportunities. The lack of data documented and analyzed regionally has made it difficult to demonstrate the “business case” for racial and economic inclusion and form support around public policy changes (such as regional land use planning).

Well-applied research can unify stakeholders when limited data and experience has previously obscured the need for new development strategies. The Fund learned that lesson through its work promoting regional strategies for land use and zoning for communities. Achieving that objective requires overcoming decades of development patterns, but the consequences of continuing past practices had never been adequately articulated until recently. The Fund convened a group of key stakeholders to form the Northeast Ohio Sustainable Communities Consortium (NEOSCC) which received a HUD Sustainable Communities federal grant to increase the region’s capacity to integrate economic, transportation, environmental and

housing planning across the four metropolitan areas of Northeast Ohio. In 2013, NEOSCC unveiled a scenario detailing how 30 more years of business as usual will result in the richest county in Northeast Ohio being even poorer than the poorest county today. That dire prediction has begun to galvanize stakeholders.

Though research in itself can be quite powerful, it must ultimately be paired with a planned approach for taking action. The Fund identified an early opportunity for collaboration with the business sector that resulted in a comprehensive analysis of the cost of local government in Northeast Ohio. This analysis was valued by some of the region’s leading metropolitan chambers of commerce, which shared the Fund’s perspective that government structures and spending had a meaningful influence on the region’s economic competitiveness. However, neither the chambers nor the Fund developed a broadly shared perspective on what should be done with the research to catalyze change.

## Key Takeaways

- Research can show the urgency to act around vital issues that were not being addressed collaboratively because they were not clearly quantified.
- Analyzing data not only drives consensus among institutions but can be an important way to engage the public on important priorities and needs in the region.

## Lesson 2

# Incentivize collaboration through the promise of outside funding

Fostering regional collaboration to address systemic issues can be quite daunting, especially when lacking a compelling way to kick off the conversation. However, the Fund has learned that the prospect of federal and state grant funding can catalyze partnerships and begin developing trust.

Federal or national philanthropic grants can provide the spark needed to bring disparate groups from across geographies and sectors to the table. An example from the Fund's experience is the group it convened to apply for a HUD Sustainable Communities Initiative grant to tackle land use and infrastructure planning. The Fund made a small grant for facilitation support that enabled a wide range of stakeholders across 12 counties—local and county governments, housing authorities, metropolitan planning organizations, business leadership—to apply for and win a grant of \$4.25 million. More progress was made in three months to develop the proposal and set up the initiative than in the previous three years of working on a similar initiative without a compelling financial incentive.

The Fund has played a key role in both convening and aligning partners during the process of applying for grant funding. It pulled



together social service organizations, workforce investment boards, community colleges and industry associations across two metropolitan areas to compete for and win a \$4.3 million grant from the White House Social Innovation Fund with additional support from the Surdna Foundation to connect low-skilled workers to middle-skill career pathways in the health care and manufacturing sectors. In the lead up, the Fund worked to ensure that partners were prepared to perform key components of the work in the event they received the grant. In another instance, the Fund helped pull together commercialization and workforce support services across multiple institutions and 12 counties to win a federal grant of \$2.06 million for a Speed-to-Market Accelerator that supports companies in the flexible electronics and advanced energy industries. In the lead up to



this grant, several economic intermediaries in the region were considering submitting individual applications but the Fund was able to facilitate their collaboration through a single proposal.

The ideal scenario is that coalitions and partnerships formed through the process of applying for grant funding continue to pay dividends over time. This has been the case with a multi-region initiative supported by the

Fund involving more than 24 higher education institutions, businesses and civic intermediaries in

Northeast Ohio and Pennsylvania that won an initial National Additive Manufacturing Innovation Institute award of \$40 million. In addition to creating significant local buzz, this coalition went on to apply for and receive additional funding.



## Key Takeaways

- Fund the process of convening multiple institutions to develop proposals for grants.
- Determine opportunities where the region would benefit from multiple organizations collaborating on a single proposal for funding instead of each submitting individual proposals.

## Lesson 3

### Build a public mandate for change

Foundations can often achieve the greatest impact by transcending their traditional role as grantmakers and serving as a strategic convener in the region. Foundations are particularly well-suited to engage residents in efforts to transform regional economies because they are generally trusted by the public and removed from many political and economic sensitivities faced by government and business officials.

The Fund has played the role of strategic convener on numerous occasions over the past decade in Northeast Ohio. A primary instance of this was the Voices & Choices initiative, an effort launched by the Fund in 2005 to develop a public mandate for changes that would increase economic opportunity in the region. The effort engaged 21,000 residents through interviews and workshops where they provided input about opportunities and challenges, while hundreds of thousands more residents were reached with information about important priorities for overcoming economic challenges in Northeast Ohio. The feedback gathered from residents played a big part in shaping the Advance Northeast Ohio economic competitiveness agenda developed by the Fund while also serving



Northeast Ohio Sustainable Communities Consortium

to increase the sense of regional identity among residents in Northeast Ohio<sup>3</sup>. Furthermore, out of this effort the Fund launched the Civic Commons [Figure 1] to use online and in-person tools to continue to engage residents in shaping issues in the region, such as waterfront development and state budget allocations.

Another example of the Fund's convening power was EfficientGovNow, an effort to foster government collaboration by providing grants to the region's most promising government collaboration projects. The Fund empowered residents to decide which projects deserved the grants through a public vote. The public voting process generated significant public attention

<sup>3</sup> Kathryn Wertheim Hexter and Molly Schnoke, "2008 Northeast Ohio Barometer of Economic Attitudes," Maxine Goodman Levin College of Urban Affairs Cleveland State University and Wright State University Center for Urban and Public Affairs, 2008.

## Figure 1 | Civic Commons: an Example of Strategic Leadership

The Fund for Our Economic Future launched the Civic Commons, a civic engagement utility and consultancy, in 2010 with the support of a \$3 million grant from the Knight Foundation. The initiative builds conversations and connections that fuel civic action.

The Civic Commons has worked with 15 large organizations to involve the public in important community issues. Through activities on the ground and online tools, citizens have been able to weigh in on issues from raising taxes to fund schools to urban redevelopment in blighted areas. Kent State University, for example, hired Civic Commons to engage students and faculty in creating a strategic plan that covers eight campuses and 40,000 students.

In 2013 Knight Foundation awarded Civic Commons an additional \$600,000 to expand its reach and support a merger with ideastream, a multiple media public service organization.

and interest. Editorial pages encouraged their readers to participate in the voting and called on government officials to implement more collaboration. In addition to building stronger public in the region for greater government collaboration, the effort led to the creation of the EfficientGovNetwork, a network of Northeast Ohio government officials that serves to promote further partnerships and share best practices. The effort also led to the creation of the Local Government Innovation Fund, a state program that has supported government collaboration efforts around the state through several rounds of funding.



Not all convening has been successful. The Fund has convened stakeholders in meaningful discussions of important community needs ranging from workforce development to educational attainment to land use, but there was no sustained action or commitment. It has also organized ad hoc meetings of stakeholders across metro areas in the region to make sure

it was being geographically inclusive as well as to spot opportunities where it may be able to take the lead in advancing an issue; however, this approach, in the absence of a well-defined problem that needs solving, has received mixed reviews and generally has not resulted in sustained actions.

## Key Takeaways

- The independence of philanthropic organizations positions them as trusted community leaders who can convene diverse stakeholders around a common agenda.
- Citizen engagement tactics that help form strategy and encourage input on an ongoing basis help form a public mandate for important changes needed to address systemic challenges.

## Lesson 4

### Attract private sector partners to execute, not just inform, the strategy

An overarching lesson from the Fund's experience in Northeast Ohio is the critical importance of cross-sector ownership of a common approach to strengthening the region's economic competitiveness. Beyond aligning philanthropic efforts, the strategy must be fully supported by the private sector.

The Fund strived to forge consensus on a common vision and approach in 2007 through the launch of a regional economic competitiveness agenda called Advance Northeast Ohio (ANEO). Though private sector stakeholders played a considerable role informing and shaping the creation of ANEO, they were not devoted to co-owning its implementation and making long-term resource commitments; rather, business stakeholders preferred to engage on a project-by-project basis where they felt their interests intersected. So while ANEO had a powerful impact on the behavior of philanthropy, its influence on the priorities and efforts of organizations outside the Fund was fairly limited.

Furthermore, the Fund faced issues with making ANEO actionable. Many leaders in the region noted that while there was general agreement on the priorities identified, the issues being addressed were too complex. There was no

clear understanding of how stakeholders should prioritize efforts and align resources to have a meaningful impact. Nor did the Fund create an organizational or operational structure to facilitate the implementation of ANEO.

Based on these lessons, the Fund has pursued a new approach for working with the private sector to define and adopt a common strategy. Over the past year, the Fund has partnered with the business sector on the Regional Economic Competitiveness Strategy (RECS), a process to form the strategy, align resources for the work and measure impact over time. The Regional Competitiveness Council consisting of seven business leaders and seven philanthropic leaders directs the RECS effort, while the Strategy Coordinating Committee made up of key intermediary organizations in the region coordinates between different RECS stakeholders and sources potential funding opportunities. Staff has been hired to facilitate and coordinate the work of the council and committee, with businesses and philanthropy agreeing to evenly split the costs associated with planning and managing RECS (which has been nearly \$1 million to date).

As of the summer of 2013, the Fund and its private sector partners had used the RECS

process to form a common set of priorities [Figure 2]. The work of RECS had turned toward designing and implementing strategies to

address the RECS priorities through nearly \$65 million per year of investments being made by RECS partners in the regional system.

## Figure 2 | Regional Economic Intermediary Priorities

- 1. Grow and strengthen the region's driver industries and companies.**
- 2. Accelerate growth of target emerging industries.**
3. Strengthen the region's innovation, research and commercialization capacity and effectiveness.
- 4. Foster and grow the region's entrepreneurial environment.**
- 5. Prepare and attract workers to fill short- and mid-term employment demand for driver and emerging industries, and other high-demand occupations.**
- 6. Increase the educational attainment, readiness, and resilience of the region's residents.**
7. Improve Quality of Place to appeal to growing companies and talented people.
8. Maintain and strengthen transportation and communications assets that connect people, products and information to U.S. and global markets.
9. Foster efficient and effective public policies, infrastructure investments, and governmental services and structures.
- 10. Improve the efficiency, effectiveness, alignment and financial sustainability of the system of economic competitiveness intermediaries.**

**Bold** = Near-term priorities

## Key Takeaways

- Business stakeholders informing the strategy is not enough; private sector leaders need to play a central role in the long-term management of the strategy.
- Broad frameworks do not foster long-term commitment; prioritize issues and secure specific commitments to promote a strategy truly owned across sectors.



## Lesson 5

# Capitalize and shape the work of regional intermediaries

Funders seeking to address systemic challenges would be well served considering how they can build upon existing assets and momentum in the region. For the Fund's work in Northeast Ohio, a network of recently formed economic intermediary organizations proved to be critical in shaping the Fund's strategy and approach to supporting business growth. Alternatively, the lack of sufficiently scaled intermediary organizations addressing other Fund priorities including talent development, economic inclusion and government efficiency has limited the Fund's abilities to make as much progress in these areas.

A study of Northeast Ohio's economy conducted by McKinsey & Company in 2001 recommended approaching business growth by focusing heavily on the region's entrepreneurial capacity. That strategy led to the creation or repositioning of several important intermediary organizations [Figure 3] including: Team NEO, NorTech, JumpStart, BioEnterprise and MAGNET. The Fund was able to produce early wins in business growth by supporting these existing organizations, helping them broaden and elevate their effectiveness.

The Fund has added value by being an "activist investor," unlike traditional philanthropic funders which tend to be hands-off with their grantees. A vital function served by the Fund has been

encouraging these economic intermediaries to adopt a more expansive view of economic opportunity which embraces goals around economic and racial inclusion. JumpStart has "inclusion advisors" embedded in their work, NorTech has a "chief inclusion officer" and Team NEO has explicit goals around attracting minority-owned businesses to the region. Furthermore, the Fund has played a central role in strategic planning processes at all of these organizations and helped guide them in ways such as ensuring they provided services throughout the entire region and not just select metro areas.

The Fund has achieved significant results through this network-based approach. Sustained investments from the Fund to JumpStart, BioEnterprise and NorTech have helped form a more robust ecosystem of technology-based businesses and industries in the region. These three intermediaries have worked closely with one another and the leaders of these organizations work well together and have been actively involved in shaping policy at the state and federal levels. BioEnterprise and NorTech were among six organizations to receive the State Science and Technology Institute's 2011 Excellence in Technology-Based Economic Development Award. JumpStart received this same award the two previous years and has been nationally recognized for its work as an entrepreneurial support organization.

**Figure 3 | Regional Economic Intermediaries**

**BioEnterprise**

**Founded:** 2002

**Fund Support:** \$11.75 million

A business formation, recruitment and acceleration initiative designed to grow the health care and bioscience industry in Northeast Ohio.

**MAGNET**

**Founded:** 1984

**Fund Support:** \$4.3 million

Manufacturing Advocacy & Growth Network assists manufacturers with new product innovation, plant expansions, productivity initiatives and regulatory issues.

**NorTech**

**Founded:** 1999

**Fund Support:** \$11.75 million

A technology-based economic development organization that accelerates the growth of innovation-based clusters in advanced energy, flexible electronics and water technologies.

**JumpStart**

**Founded:** 2003

**Fund Support:** \$12.8 million

A nonprofit that nurtures and strengthens Northeast Ohio's entrepreneurial ecosystem by helping raise capital and advocating policies that support a network of incubators, accelerators and investors.

**Minority Business**

**Accelerate 2.5+**

**Founded:** 2008

**Fund Support:** \$3.4 million

Works to advance the growth of African American and Hispanic-owned businesses with annual revenues of at least \$2.5 million in 16 Northeast Ohio counties.

**Team NEO**

**Founded:** 2007

**Fund Support:** \$10.43 million

A joint venture of the region's largest metro chambers of commerce that advances Northeast Ohio's economy by attracting businesses worldwide to the 16-county Cleveland Plus region.

Meanwhile, the Fund worked closely with business leaders to strengthen and shape Team NEO into a well-regarded business attraction organization. MAGNET helps small- to mid-sized manufacturers capture opportunities in higher growth, higher value added markets through innovation services. High-growth entrepreneurs from elsewhere are now encouraged to move to the region by JumpStart, BioEnterprise and NorTech. Northeast Ohio entrepreneurs are helped by a diverse, interconnected group of advisors, mentors and intermediaries who help them identify promising technologies, connect them to potential



customers and introduce them to funding sources. By just one measure—the number of companies attracting venture capital—the transformation in Northeast Ohio has been remarkable. Until early in this century the deals were so few that no one even bothered to track them. From 2002 to 2006, 203 companies received venture funding. That number more than doubled over the next five years to 472 companies.

Working with private sector leaders who founded many of the intermediaries, the Fund helped influence state policies that created new resources for entrepreneurs and funded more research and commercialization efforts. For example, the Fund helped build public support for renewal of the Third Frontier Bond Program, a \$2.3 billion state program that invests in next

generation industries. Additionally, the Fund helped support the creation of the Ohio Venture Capital Fund, a \$150 million fund of funds that has attracted venture capital firms to Northeast Ohio.

The success of these efforts—new businesses formed in communities and national attention for changes occurring in Northeast Ohio—helped build further support for the regional approach to business development. Sustained commitment to intermediaries who produced value for diverse stakeholders—research universities, local business incubators and investors—was critical to changing perceptions and attracting resources across the public and private sectors to support the infrastructure needed to catalyze new industries or attract global venture capital.

## Key Takeaways

- Build upon the momentum of existing intermediaries in the region by funding their work but also shaping their strategy to address important social components.
- Supporting economic intermediaries provides an opportunity to partner with the business sector and deepen collaboration across other aspects of the agenda.

## Lesson 6

# Staff the collaborative with core strategic competencies

Prior to their participation in the Fund, most funders had never funded economic development activities. Funders have complemented the work performed by a small full-time staff at the Fund by owning several key responsibilities. The Fund has learned from its experience about the most effective way to engage members in the work, and the types of skills and functions best performed by its in-house staff.

Fund members have become more comfortable with their civic leadership role through greater exposure to economic competitiveness issues. While participation varies across individual members, funders have generally played a key role managing activities such as performing due diligence on grants, coordinating cross-sector convening and guiding research efforts. This experience has elevated their shared understanding of both what needs to be done and how it needs to be done. The Fund has also created opportunities for funders to engage beyond the context of grantmaking decisions.

However, even the most engaged members' participation in the Fund is but one of many projects they support. So, the Fund has built a small professional staff to manage core aspects of the work. The instrumental roles played

by Fund staff include: 1) *thought leaders* with thorough knowledge of strategies for promoting economic prosperity that command trust and respect from stakeholders in the region; 2) *coalition builders* who understand complex relationships and institutional allegiances in the region and seek to convene a broad swath of civic influencers; and 3) *strategic analysts* who can lead research and evaluation to identify opportunities and impact in the region. Opinions about the amount of overhead a funder collaborative should commit to staffing these functions varies across different funder collaborations and even varies among Fund members themselves.

Furthermore, streamlining decision-making and administrative processes remains key to optimizing the value that both funders and



professional staff to deliver. The Fund has begun to shift away from cumbersome committee structures and grant authorization processes that made managing the work needlessly bureaucratic. For example, programmatic grants of any size used to require the approval of every single funder; the Fund recently adopted new guidelines that allow the Fund to make small grants without approval and mid-size grants with authorization from an officer of

the Fund executive committee. Additionally, the Fund recently disbanded several long-standing committees in favor of forming ad-hoc committees that form to address emerging opportunities. As a whole these changes have reduced administrative burdens on Fund staff, involved funders in more strategic conversation, and enabled the Fund to respond more nimbly to emerging issues with an authoritative voice.

## Key Takeaways

- Engage funders beyond financial support; ask them to own key responsibilities for managing the ongoing work.
- Eliminate administrative burdens and cumbersome decision-making processes so professional staff can focus more time on high-value activities for advancing the mission.



## Conclusion



Networking at JumpStart

Based on the Fund's experience over the past 10 years, it's clear that foundations can play a vital role leading a region's response to economic challenges and opportunities. The role of foundations is particularly important in this new economic environment, which requires unconventional strategies for generating growth and opportunity.

At the same time, foundations can't do everything on their own and must effectively engage stakeholders across all sectors. In Northeast Ohio, businesses, metropolitan chambers, government officials and institutions of higher education are providing leadership and confronting challenges alongside the Fund. Foundations must play a key role identifying ways that stakeholders can collaborate toward addressing complex issues pertaining to economic competitiveness.

Since this is new territory for many foundations, it requires changes to the way they typically approach their work. They need to go beyond their traditional grantmaking role by developing clear points of view and building broad support

for common agendas. Though difficult, the payoff in the form of regional economic vitality and prosperity make it more than worth the effort.

All of the lessons learned by the Fund have a common theme: the value of persistence and adaptation. Developing well-balanced, collaborative strategies for strengthening complex regional economies requires a willingness to fail forward. The Fund has learned that it takes sustained effort to bring together the right stakeholders able to partner effectively and produce transformative impact. The first solution is rarely the right one, which means the most important lesson of all for those seeking to advance economic opportunity is to be prepared to adapt, modify and learn.





# Appendix

## Members of the Fund for Our Economic Future in Phase 3 (2010-2012)

Abington Foundation  
Akron Community Foundation  
Ashtabula County Partnership  
Burton D. Morgan Foundation  
Case Western Reserve University  
Cleveland Clinic Foundation  
Cleveland Foundation  
Cleveland State University  
Community Foundation of Lorain County  
Cuyahoga Community College  
Cuyahoga County  
David and Inez Myers Foundation  
Deaconess Community Foundation  
Elizabeth Ring Mather and  
    William Gwinn Mather Fund  
Eva L. and Joseph M. Bruening Foundation  
FirstEnergy  
Frances Shoolroy Charitable Fund  
Fred A. Lennon Charitable Trust  
GAR Foundation  
George Gund Foundation  
George W. Codrington Charitable Foundation  
J M Smucker Company  
John Huntington Fund for Education  
John P. Murphy Foundation  
John S. and James L. Knight Foundation  
Katherine and Lee Chilcote Foundation  
Kelvin and Eleanor Smith Foundation  
Kent H. Smith Charitable Trust  
Kent State University Foundation  
Lorain County Community College  
Martha Holden Jennings Foundation  
Meisel Family Foundation  
Mt. Sinai Health Care Foundation  
Nord Family Foundation

Oberlin College  
Payne Fund  
Raymond John Wean Foundation  
Reinberger Foundation  
Saint Luke's Foundation  
Sherwick Fund of The Cleveland Foundation  
Sisters of Charity Foundation (Canton and Cleveland)  
Stark Community Foundation  
Stocker Foundation  
Summa Hospitals Foundation  
Surdna Foundation  
Tecovas Foundation  
Third Federal Foundation  
Trumbull 100 and Trumbull County Community  
    Foundation Economic Coalition  
University Hospitals  
University of Akron  
Wayne Growth Partnership  
Westfield Insurance Foundation  
William J. and Dorothy K. O'Neill Foundation

### Participants < \$100,000

Frederick W. and Janet P. Dorn Foundation  
Hollington Family  
John G. and Karen R. Nestor Fund of  
    The Cleveland Foundation  
Joyce Foundation  
Kulas Foundation  
Marcia and Harold Levine Philanthropic Fund  
Michael V. Shafarenko  
Nathan and Fannye Shafran Foundation  
Ray Murphy  
Susan and John Turben Foundation  
Weathertop Foundation  
Whitehead Family Fund