
Monterey County

A Community of **Life, Lifestyle & Learning**



COMPETITIVE CLUSTERS PROJECT INTERIM REPORT – MARCH 15, 2004

Prepared for:

**Monterey County Office of Economic Development
&
Monterey County Business Council**

Prepared by:



I. Executive Summary

Monterey County, as this report will show, is a special place. Natural beauty, fertile soils and world-class education and research institutions only begin to describe the county's distinctive features. But Monterey County's leaders know that the world is changing fast and no economy is immune to foreign competition, changing demand and fast-changing technology. As the problems of Silicon Valley show so well, forces outside the control of local leaders can hit even historically strong and well-endowed regions resulting in economic stagnation and rising unemployment.

A NEW PARTNERSHIP

The Monterey County Business Council, in partnership with the Overall Economic Development Commission (OEDC), the County's Office of Economic Development, and funding from the Board of Supervisors, recognized inherent risks in the County's economy and launched the Competitive Clusters (C²) initiative in March, 2003. The effort is directed by a Leadership Council comprising private and public sector leaders drawn from across the county.

Fundamentally, C² is a strategic planning project designed to implement near-term economic development action as well as to provide a compelling economic vision and strategic framework to guide development efforts in the future. With C², Monterey County now has a plan to help prevent future

economic problems by strengthening the sectors that power the economy today and by building new economic engines.

A NEW APPROACH TO ECONOMIC DEVELOPMENT

Over more than two decades a new approach to regional economic development has emerged which makes the case that competitive economies are those that create distinctive competitive advantage in several "clusters" of firms and institutions, linked in informal and formal ways, in similar markets with similar products or services. Several well known economic regions in California illustrate the concept of clusters: Silicon Valley is a 3-county region of high tech, and is the leading high tech cluster in the world. Hollywood is the world's leading center for film. Napa Valley is one of the world's leading wine producing centers, thus is a leading wine cluster. These region's economies are strengthened by their high concentration of similar industries, specialized suppliers and institutions of education and research linked to formally and informally networked firms.

Monterey County is moving to a cluster-based economic development strategy. As other regions have found, cluster-based economies are not entirely immune to major downturns (Silicon Valley has suffered in the past two years despite its otherwise desirable economic structure) but there is little doubt that clusters are the proven way to ensure innovation in the marketplace, quicker response to market shifts, and higher productivity of the workforce—from which new and better jobs will be created and more wealth generated in the region.

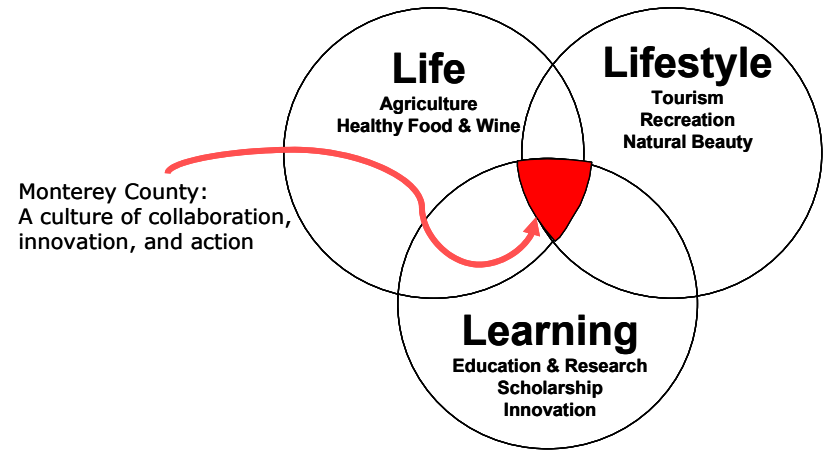
A NEW ECONOMIC VISION

Given that Monterey County is a special place, with diverse community concerns and desires, what would be an appropriate economic development vision? Growth that sprawled over the fields and mountains and along the coastline would surely destroy much of what makes the County so special. But some kind of economic development is needed. Global forces make an economy in stasis like standing on a powered treadmill—keep up with the forces or drop behind and eventually off the machine. Monterey County needs to focus on quality growth that brings good jobs, higher incomes and more regional wealth, without damaging the very character of the physical place that gives the region its high quality of life.

ECG recommends that leaders focus on building an economy, and a supporting community, that nurtures three core values: *life, lifestyle and learning*. In economic terms, nurturing *life* recognizes the County as a center for high quality food and wine--for residents and global markets alike; nurturing *lifestyle* recognizes that the area's natural beauty and opportunities for recreation and relaxation are highly desired by people--residents and visitors alike; nurturing *learning* recognizes that the County's unique concentration of education institutions and research centers are an asset for residents seeking knowledge and skills--as do people from around the world who would be attracted to the area for knowledge and skill development.

These three core values shared by residents and others, and offered to residents and others by three competitive clusters—agriculture, tourism and education services and research—can

serve as an economic vision to help shape the county's economic future.



FOUR STRATEGIES FOR ACHIEVING THE VISION

To achieve a more competitive economy that fits the special character of Monterey County, ECG recommends that leaders pursue four distinct strategies.

1. *Improve market focus* — For most firms, keeping up with the pace of market change is a constant challenge. Steps need to be taken to encourage firms to move closer to the leading edge of their industry and achieve the competitive advantages that come from continuous innovation in products, services and processes.

2. *Cluster development* — Competitive pressures usually keep firms from sharing information and collaborating on initiatives designed to make their industry stronger. C² is designed to bring together the firms in agriculture, tourism and the education and research institutions in joint efforts to make their sectors better able to compete in the changing competitive landscape.
3. *Specialized economic infrastructure* — To be competitive, firms need access to an appropriately skilled workforce, to specialized sources of finance, to a physical infrastructure that meets their needs and a business climate that nurtures rather than hurts them.
4. *Private-public collaboration* — Economic development doesn't come from public policy or from private initiative and investment alone. Monterey County needs to grow a culture of public-private collaboration. With a shared vision, resources and a collaborative effort, the county will have the best chance of building the kind of economy that meets the needs of residents.

In the report that follows, we discuss the implications of these economic development strategies for each of the three clusters on which C² has focused in the past year.

ACTION INITIATIVES DESIGNED TO LAUNCH THE CHANGE PROCESS

C² was designed for speed and action; accordingly, the project formed three cluster working groups around the region's two

leading industry clusters (Agriculture and Tourism) and an emerging cluster (Education Services and Research). Leaders from these clusters carefully identified critical challenges facing their firms and institutions and began implementing initiatives to address them. The initiatives are:

AGRICULTURE CLUSTER INITIATIVES

- Develop Agriculture Research Program at CSUMB.
- Develop program to educate legislators, policy makers and community on realities of agriculture.
- Work with local restaurants and suppliers to better showcase local products on local menus.
- Initiate Healthy Eating Campaign to combat the problems of obesity and juvenile diabetes.
- Work with local schools to incorporate ag awareness in K-12 local programs.
- Establish Monterey County Winery Corridor

TOURISM CLUSTER INITIATIVES

- Develop a countywide brand.
- Develop a Hospitality Industry Education Program at CSUMB.
- Develop and implement a unified marketing program
- Identify alternative funding mechanism for marketing

EDUCATION SERVICES AND RESEARCH CLUSTER INITIATIVES

- Position Monterey County as an education destination.

- Develop a virtual Entrepreneurial Resource & Support Network.
- Link the needs of cluster businesses to programs developed by education institutions and workforce training groups.
- Develop a promotional video on higher education and research institutions.
- Explore development of Naval Postgraduate School property to support education, research and as a tourist attraction.

Each of these projects is moving forward under the leadership of a committed champion, most with a steering committee of the key stakeholders and some with early funding.

AN INTEGRATED ECONOMIC DEVELOPMENT STRATEGY FOR MONTEREY COUNTY

Figure 1 (following page) illustrates the integrated economic development strategy ECG recommends for Monterey County. At the top of the framework is an *economic vision* we suggest be used to guide high-level economic development policy and private sector initiatives. Integrated with this larger vision statement, each cluster now has its own strategic vision that will help shape its own development. For these vision statements to be useful, however, they will need to be broadly communicated and, in essence, “bought into” by the appropriate stakeholders in the region.

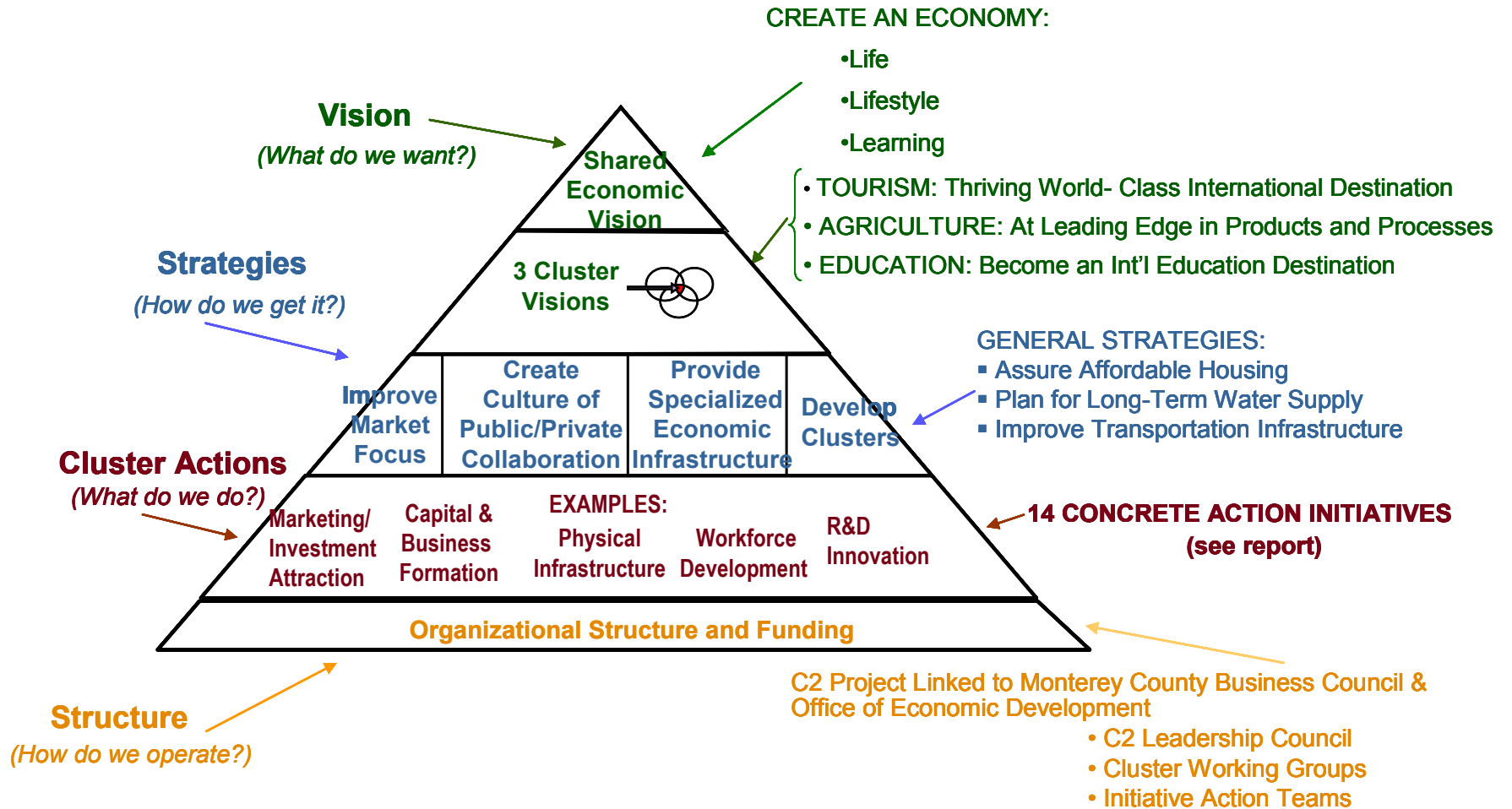
At the next level, shaped by the vision statements, are the economic development *strategies* ECG recommends. Critical

issues such as affordable, housing, water and transportation infrastructure (issues beyond the scope of this project) are presented in the framework as general strategies. More specifically, *cluster development strategies* are the key elements in this part of the framework.

Beneath vision and strategies come tactics—referred to in the C² project as *action initiatives*. This project has focused particularly sharply on developing the action initiatives listed above. These initiatives represent one of the most tangible outputs of the C² project in that they demonstrate the real changes in each cluster’s competitive environment that can result as a result of C²’s collaborative process.

Finally, the integrated framework includes an important *structural foundation*--the organizational means for implementing the complete integrated economic development strategy, including the action initiatives. We recommend that the private-public partnership formed for the C² project by the Monterey County Business Council and the County’s Office of Economic Development continues to drive C² forward.

Figure 1: Integrated Strategy Framework



RESULTS TO DATE: SUMMARY

Much has been accomplished in the project's first year:

- *Mobilization of leaders*-- C² has drawn seventeen top leaders into the project's Leadership Council. The Council has, in turn, mobilized top leaders from agriculture, tourism and education services and research. More than 100 "civic entrepreneurs" have spent hours in a series of working sessions focused on the challenges of creating a more competitive economy.
- *New economic visions*--Through the C² process, an overarching economic development vision has emerged, for the county's economy as a whole and for three driving clusters of economic activity.

- *Strategies for economic development*--A 4-part strategy has been developed and is being pursued suggesting the highest likelihood that Monterey County will have the kind of economic development to meet the needs of a diverse population.
- *Action*—14 concrete action initiatives have been developed and are moving to implementation, with a "champion", steering committees and plans for moving forward. Several have already achieved demonstrable results.
- *Sustained effort*—Already, the Board of Supervisors and the County's Workforce Investment Board have provided early funding for a second year of C². Perhaps more importantly, nearly every one of the private sector leaders involved to date has agreed to continue the C² process and other leaders are asking to join the effort.

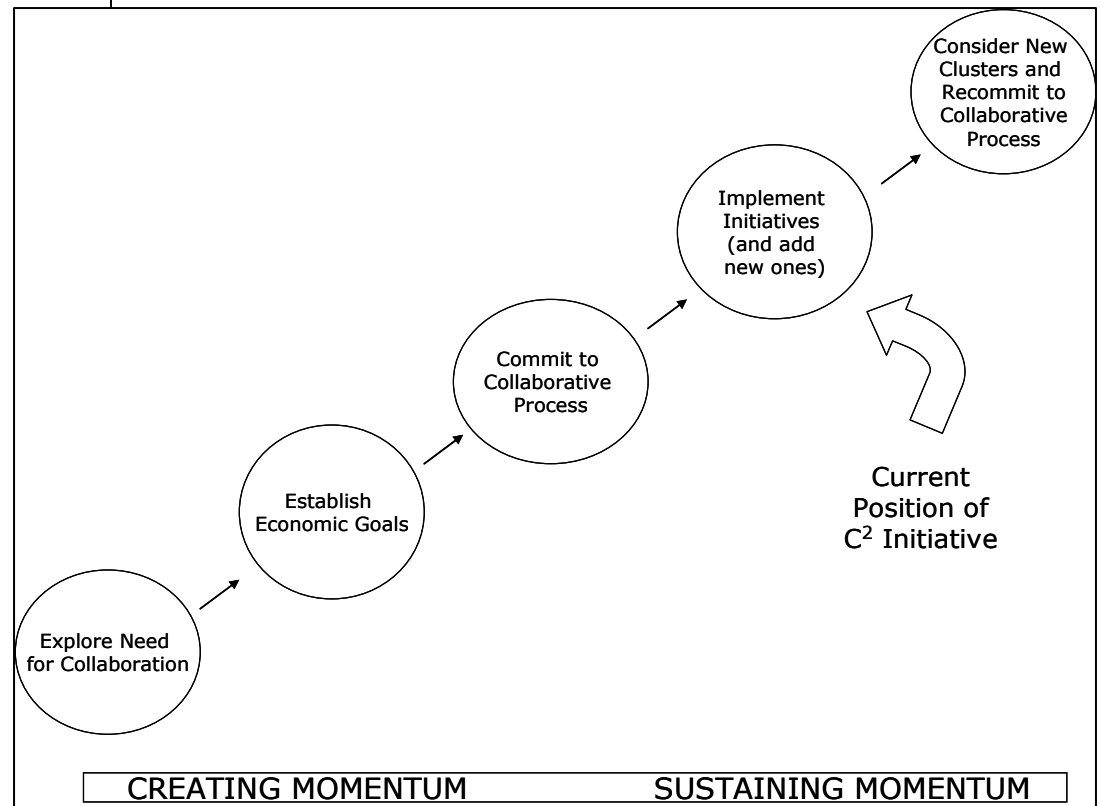
NEXT STEPS

With this report and the implementation of the action initiatives, C² is nearing the point of becoming a self-sustaining entity. Both the Monterey County Business Council and the County’s Office of Economic Development have committed to remain in the partnership that has brought the effort through the past year. The Board of Supervisors and County Workforce Investment Board have made some additional funding available. But there is no guarantee that C² will be able to get “over the hump” and become an institutionalized, high performing organization.

Figure 2, right, shows the stages in the evolution of team work. C² has successfully moved major actors in Monterey County’s economy through the first three stages of this model by laying the foundation for collaboration, shaping, creating and facilitating the collaborative work of individual cluster working groups, and helping shape action initiatives which will serve to tangibly affect the major goal of the C² project: enhance the competitiveness of Monterey County’s key industry clusters. Now, to sustain this momentum and ensure that the benefits of collaborative economic strategy and action do not dissipate, the County and key private sector actors should consider what it takes to get closer to the goal of a high performing, self-sustaining organization. New efforts will be required to ensure that interest in the initiative remains high and momentum continues.

To do this, C²’s leaders now must take the proposed vision and strategy out into the community in an effort to build broad-based support for the project. To keep moving forward, the cluster working groups also will need to continue to implement their initiatives and possibly add new initiatives.

Figure 2: From Creating to Sustaining Momentum



C²'s leaders should also seriously consider broadening the initiative's scope by adding into the C² process another cluster or two where the County has competitive advantages. Preliminary study reveals the county may have latent cluster advantages in business services and, perhaps, construction as export-oriented clusters. Health Services, while primarily a local-serving cluster, could also benefit from being taken through the C² collaborative process. Adding clusters to the C² process should be done as funding is available.

With the leadership of the past year, and this past year's successes, C² is well-positioned to begin achieving ever more significant improvements in the economy over the next few months and years.