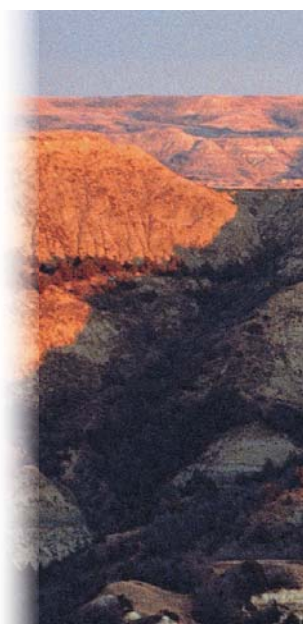
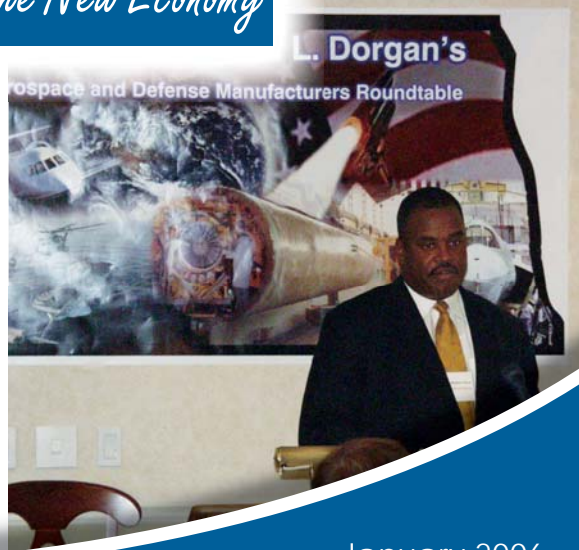




## Signs of Progress



*Creating success for all North Dakotans in the New Economy*



## Message From the President

---



**The New Economy Initiative (NEI)** was formed for one reason, to change the direction of North Dakota's economy through proactive idea generation and action-orientated partnerships. This is not something that happens overnight, but we have seen many signs of progress since the initiative was launched in 2000.

Since its inception, the New Economy Initiative (NEI) has invested more than \$1 million in North Dakota's economy through private sector donations and federal grants. This investment helped return \$41 million to North Dakota's economy and has resulted in more teamwork within the state's tourism, aerospace, information technology and food processing industries.

It was a pleasure to work with so many fine public and private sector leaders to develop a vision and creative initiatives to stimulate business growth and move our

state toward a more modern, global and competitive business environment.

Nanotechnology, centers of excellence, intermodal transportation, research corridors and statewide talent pool strategies were things that many of us heard about for the first time during the initial NEI meetings. Many of these innovative ideas became NEI initiatives.

We'd like to thank everyone who contributed financially or with ideas and time. NEI was a home for new and innovative ideas. All ideas that can help move North Dakota forward are always welcome. Although we still face many challenges, North Dakota can make great strides if we (public sector, university system and private sector) work together.

This report highlights some of the exciting signs of progress we have seen since NEI began.

Sincerely,

A handwritten signature in dark ink, appearing to read "Roger Reiersen".

Roger Reiersen  
NEI Chairman



**New Economy**  
INITIATIVE

North Dakota



# Executive Summary

**The New Economy Initiative (NEI)**, a public/private initiative coordinated by the North Dakota Chamber of Commerce, was a statewide effort to mobilize North Dakotans to develop new ideas, to grow the economy and create a more prosperous state. The need for this project was grounded in two critical challenges. First, North Dakotans must address ongoing economic problems that constantly surface in disturbing demographic trends. Second, North Dakotans must

modernize the state's economy and address new challenges and opportunities posed by "New Economy" factors such as globalization and technological advances.

During 2001, hundreds of citizens representing businesses, government agencies and higher education responded to the call to participate in the activities of the New Economy Initiative. The results are significant: nearly 70 action initiatives were developed ranging from a new golf course and conference center in Medora, to centers of excellence and nanotechnology. Instead of just a plan, strategy or recommendations, these initiatives were developed and had individual champions

committed to carrying them out.

The New Economy Initiative was a unique and rare opportunity. Few other states or regions have succeeded in mobilizing a large-scale economic change process of this magnitude. The NEI provided an economic framework, created conditions for new leadership to emerge, provided a support system for implementing specific initiatives, and built on economic strategies that are consistent with North Dakota's people, places and resources. Using a grassroots approach that mobilized people to lead, innovate, take risks, challenge the status quo and change, the NEI generated significant participation and results.



## Origins of The NEI - *Spring 2000*

**I**n the spring of 2000, a group of concerned private sector business leaders gathered to discuss the current economic development challenges facing North Dakota and how to become more competitive in the changing global economy. Knowing that North Dakota needed to take action quickly to avoid falling further behind other high-growth regions, the business leaders formed an



executive committee with the Great North Dakota Chamber of Commerce.

In October 2000, a 31-member New Economy Initiative committee was selected, chaired by Roger Reiersen, president of Flint Communications, Inc. A consultant was hired to help design and facilitate a statewide, public/private effort to mobilize all North Dakotans to create an effective statewide “New Economy” strategy.

Leaders of this project embraced several key principles:

- 1) North Dakota’s economy will grow from what currently exists.
- 2) Changing technologies and market trends will shape opportunities.
- 3) Local and regional leadership will drive effective, long-term growth.
- 4) Catalytic initiatives can spark large changes.





## NEI: A New Approach To Economic Development



**T**he New Economy Initiative was a new approach to economic development and statewide planning. Typically, projects like this are driven from the top down and culminate in a written plan that often fails to be implemented.

The NEI was a bottom up approach. The goal was to methodically activate North Dakotans from business, government, and communities statewide to generate and implement initiatives that would help their own businesses, industries and communities be more successful. In the process, the overall economy would grow and the state would be more responsive to ongoing challenges and changes.

This project built on strategic information gathered by numerous government and economic studies. The NEI moved this information off the shelf and into action by activating private and public sector North Dakota citizens to lead initiatives to improve the economy. NEI leaders believed the government plays a vital role in setting the stage for economic development, but ultimately the private sector drives the economy. Successful economic development rests on the creation of strong public/private partnerships that promote a dynamic business climate.

# Tools For The New Economy Initiative

**In order** to mobilize people statewide in an organized and meaningful way, the New Economy Initiative relied on two main tools: industry clusters and action teams.

## Industry Clusters

Economic studies show that tourism, information technology, food manufacturing, aerospace, energy and advanced manufacturing offered the greatest potential for growth in North Dakota. These industries are the building blocks of our economic future.

The NEI brought together players for all aspects

of each of these key industries to organize as “cluster groups.” The purpose of these clusters was to create strategies that would bolster growth in each industry and make each industry member more prosperous. Response to clusters was favorable from businesses that saw many benefits of working together. The clusters have become a forum for industry members to network, address mutual problems, work with government and increase their profitability.

## Action Teams

While each industry cluster was working to address challenges specific to its industry, some problems were universal to all industries. Action teams were organized and worked to develop solutions to these challenges. They were divided into three major issues:

- 1) Entrepreneurship and Capital: Improving support for entrepreneurs and access to capital.
- 2) Talent: Creating the talented workforce needed to support economic growth.
- 3) Creative Communities: Developing communities that are attractive to new people.



**More than** 1,000 North Dakotans participated in 50 clusters, action teams and general NEI meetings during 2001. This totals an estimated 10,000 hours of voluntary contributions.

## North Dakota's New Economy Vision Statement:

### Goals of the New Economy Initiative

Every project of this magnitude is complex and difficult to summarize in a brief report. However, the following goals of the New Economy Initiative translate into specific outcomes that resonate with citizens statewide:

- Create more and higher-paying jobs.
- Increase and diversify North Dakota's population.
- Create effective industry organizations (clusters) that will drive North Dakota's economy for the long term.
- Help companies use technology to increase their profitability.
- Create capital and support networks for entrepreneurs.
- Expand North Dakota's world-class workforce.
- Develop vibrant communities that are attractive to young people and new immigrants.
- Develop effective partnerships between government and the private sector to improve the state's business climate.

### North Dakota Offers:

- A growing number of jobs and opportunities for knowledge workers
- A flexible, skilled and diverse workforce
- Access to technology
- Creative communities
- High quality of life

**“ NORTH DAKOTA!**  
*The innovative rural state  
with the spirit to grow in  
the New Economy.*”

### North Dakota's New Economy Challenge

North Dakota's economy is changing, as it always has and always will. The pace of New Economy change is posing serious threats and magnificent opportunities. The basic economic and demographic trends for North Dakota reflect a fairly dismal picture.

- North Dakota's economy is growing slower than the national average, and employment growth is down from 3.5 percent in 1994 to 1 percent in 2000.
- Only 6 of 53 counties showed population growth in the 2000 census.
- Only five counties showed growth in the 0-17 age group.
- North Dakota's median age is 36.3, higher than the national average.
- Productivity in North Dakota is lower than national averages, in part due to the low productivity mix of current industries.

At the same time, the economic changes prompted by an explosion of new technology and global communications are forcing businesses



and organizations throughout the world to rethink and retool their operations.

In a 1999 ranking of New Economy factors and indicators by the Progressive Policy Institute, North Dakota ranks 45, far behind the states that are setting the pace for New Economy performance and readiness, such as California, Texas and North Carolina. Those low rankings reflect the fact that North Dakota's industries and economic foundations compete on the basis of low cost and commodity production, rather than innovation.

### North Dakota's New Economy rankings in 1999

- 45th overall
- 39th in economic dynamism
- 43rd in innovation capacity
- 43rd in digital economy
- 50th in globalization

In 2002, North Dakota had improved in four of the five new economy ranking areas and moved up to 44 overall.

### North Dakota's New Economy rankings in 2002

- 44th overall
- 50th in economic dynamism
- 38th in innovation capacity
- 30th in digital economy
- 43rd in globalization

However, the state offers some encouraging signs of New Economy activities, such as: the Microsoft/Great Plains merger; the number of new spin-offs using high-tech applications in IT, aerospace and food processing; and the recent recognition of Fargo as one of the most entrepreneurial small cities in America.



# North Dakota's Six Opportunity Industry Clusters

**In order** to develop an effective framework for this project, NEI leaders evaluated extensive economic data about North Dakota and its industry-based strengths. They also considered the sweeping changes occurring worldwide with the advent of the New Economy. The NEI committee decided to embrace “clustering” as the most effective, innovative economic development method with the best potential to drive North Dakota’s economy long-term.

“Clustering” is the process of creating competitive advantages by bringing together all members of a key industry to identify problems and opportunities and develop initiatives to make the entire industry and all its members more successful.

The focus in North Dakota is on six industries that leverage the state’s strengths: tourism, information technology, food processing, aerospace, energy & environment and advanced manufacturing. The industries chosen are consistent with the target industries recommended in the Fluor Daniel economic study commissioned in 1997 by the state Economic Development and Finance Agency. Each of the six opportunity clusters has significant promise for future development.



*energy & environment*



*information technology*



*food processing*



*aerospace*



*tourism*

*advanced manufacturing*



## Signs of Progress



### NEI Generated \$41 Million In Economic Activity

Since its inception, the NEI has invested more than \$1 million in North Dakota's economy through private sector donations and federal grants. This investment has returned more than \$41 million to North Dakota's economy and has resulted in more teamwork within the state's tourism, aerospace, information technology and food processing industries.

"Business drives the economy," North Dakota Chamber of Commerce President Dave MacIver said. "The return on these investments in North Dakota businesses is encouraging and speaks to the growth potential we have in some of North Dakota's key industries."

## Aerospace and Manufacturing

The largest returns on NEI investments have come in the form of defense contracts of more than \$38 million, which resulted from two NEI-sponsored aerospace roundtables between North Dakota businesses and major defense contractors.

Tom Kenville, president and CEO of Mid-America Aviation, said the aerospace summits provide excellent networking opportunities and millions in new business contracts.

"We received a \$26 million U.S. air force contract to rebuild KC-135 Stratotanker parts, and we can't do it all ourselves," Kenville said. "We have to subcontract and there is no one I'd rather work with than North Dakota manufactures."



## Food Processing

T.J. Russell, president of Cloverdale Foods Co., has experienced the benefits of the NEI. "Bringing the food processors together in North Dakota has allowed Cloverdale and other North Dakota food processors to speak with an industry-wide voice," Russell said. Working together, the food processors have accessed markets previously supplied by out-of-state companies.



## *Signs of Progress*

---



### Tourism

---

NEI funding helped organize a statewide tourism industry organization called the Tourism Alliance Partnership. This group was instrumental in passing legislation for a statewide lodging tax that is generating nearly \$3 million in new money for tourism marketing this biennium.

“The North Dakota Chamber of Commerce and the sponsors of the NEI made a huge investment in tourism and several other industries because they saw what great potential these industries, if organized, could have on our economy,” Randy Hatzenbuler, Theodore Roosevelt Medora Foundation president, said.

### Information Technology

---

The NEI also supports the Information Technology Council of North Dakota, which sponsors an IT Camp for students (Camp cyber Prairie), an awards program for IT industry leaders and an IT Education Conference. The NEI is also working with U.S. Sen. Byron Dorgan to help connect North Dakota IT companies with federal agencies and national companies that purchase services they provide.

“This initiative makes sense – good sense,” Dorgan said. “North Dakota businesses are performing high-quality work on some of the nation’s most important projects, and have the ability to do much more.”



# Signs of Progress

## Entrepreneurship and Business Development

Another NEI initiative, “Get Growing,” supports entrepreneurs starting up a company or growing an existing one. The NEI has also worked closely with the university system to identify career paths for North Dakota students wanting to stay in North Dakota.



## High Performance Community Workshops

This initiative provided training workshops for community and economic development leaders throughout North Dakota based on the High Performance Community Initiative (HPC). The HPC is a nationally recognized program, now deployed in 15 states, designed to help create communities and regions where individuals, companies, non-governmental and government organizations are enabled to be fast, flexible, focused, networked, global and effective in the New Economy.

## The Research Corridor

The Red River Valley Research Corridor, an initiative championed by U.S. Sen. Byron Dorgan, builds on the strengths and potential of North Dakota’s two major research universities and involves other institutions across the state, public and private, in engaging in high-level funded research and commercialization of science and technology. The NEI worked with NDUS to develop connections between university researchers and business innovators including a series of action summits that focused on specific technology opportunities in biosciences, RFID, venture capital, polymers and coatings and hydrogen energy.

## Smart Prairie Strategy

NEI’s strategic plan, the Smart Prairie Strategy, laid out an emerging vision of the state’s future. The North Dakota Economic Development Foundation included several components of the Smart Prairie Strategy in its strategic plan, which is to be implemented by the state of North Dakota.



## Statewide Talent Pool Strategy

This initiative brought together public and private sector individuals to build a statewide talent pool strategy. Recruiting and retaining skilled talent is critical to all business and economic development in North Dakota. The strategy was adopted by the North Dakota Higher Education Roundtable for implementation.



# *Signs of Progress*

---

## Private Sector Leadership

---

A bulk of the funding for the New Economy Initiative came from North Dakota Chamber of Commerce members and private business owners, and many wondered how North Dakota could get the private sector to fund and manage a cluster-based initiative.

“Initiatives of this scale are generally driven and facilitated by state government,” NEI chairman Roger Reiersen said. “The reality is that these efforts work much better when it is a partnership between private sector, the state, our federal delegation or the university system.”

Guy Moos, president of Baker Boy in Dickinson credited the private sector for not “fearing failure” in pursuing the NEI.

“The NEI is a testament to the uniqueness and boldness of North Dakota businesses who volunteered countless hours of time and expertise, as well as money to move North Dakota forward in the new global economy,” Moos said.



## State Support

---

State agencies including the University System, the Department of Commerce and the Bank of North Dakota have also supported the NEI.

“The NDSU Foundation made the investment in the New Economy Initiative because there is economic magic in connecting universities to the business community, and NEI provided a mechanism for this with its industry clusters,” NDSU President Joseph Chapman said.

## Federal Support

---

With the help of U.S. Senator Byron Dorgan, the NEI was able to secure a federal U.S. Department of Housing and Urban Development Economic Development Initiative grant for key initiatives such as the high performance community workshops, a statewide talent pool strategy, cluster initiatives, the research corridor and nature-based tourism.



# Goal Attainment

**Since the New Economy Initiative** started in 2000, there have been many signs of progress across the state. In 2004, North Dakota cities dominated the top 25 best smaller metros list of “Best Places for Business” with Fargo rated #2, Bismarck #7 and Grand Forks #23. Additionally, North Dakota ranks sixth in the nation in an economic competitiveness study done by Beacon Hill Institute. As a result of growing revenues and good fiscal management, North Dakota closed the 2005 general fund with a positive balance of \$22.6 million. The state’s revenues are projected to be strong through the next biennium—growing by \$80 million or more. The signs of progress in our state are all around. Here is a listing of NEI goals and a few of the signs of progress that support them:

## Help companies use technology to increase their profitability

- More than 38,000 miles of fiber optic cable support North Dakota’s telecommunication infrastructure so companies can access major population centers in North Dakota through eight nodes providing high-speed broadband services.
- The information technology industry in North Dakota provided \$288,397,910 in wages in 2004; up by more than \$3 million from 2003.
- The state has developed an extensive fixed infrastructure, serviced by private vendors, to ensure North Dakota is able to deliver on the growing need for wireless connectivity any time and any where.

## Expand North Dakota’s world-class workforce

- North Dakota has the nation’s highest high school graduation rate (89 percent), sends a greater portion of students to college (69 percent), and spends more per resident on college education (\$689) than any other state.
- Workforce 20/20 was formed in 2000 to assist North Dakota employers in retraining and upgrading employee knowledge and skills. It offers pre-employment training when companies are planning to expand or new companies are looking to locate in North Dakota. Workforce 20/20 provides matching funds to employers, helping to underwrite the cost of training, making it more affordable for businesses to participate. This helps make North Dakota businesses more competitive and ready to meet the challenges of global competition.
- University enrollment in North Dakota is at an all-time high; more than 42,000 students were enrolled in the North Dakota University System for the fall 2004 semester.
- The Commerce Department and the University System are working together to connect state youth with opportunities in the state through development and maintaining a Web site database of job opportunities and internships in North Dakota.

## Create more and higher paying jobs

- In 2003, North Dakota led the nation in personal income growth and was second in wage growth.
- North Dakota gained more than 500 new businesses in 2003, and had an increase of more than 7,000 jobs in the second quarter of 2004 compared to the same quarter last year. At the same time, total quarterly wages grew by 7 percent.
- In the 2005 legislative session, \$15 million was allocated to promote partnerships between the Commerce Department and the University System to develop and enhance centers of research excellence.

## Increase and Diversify North Dakota’s population

- For the first time since 1996, North Dakota’s population is growing in the 24 to 64 year-old age group.
- In both 2004 and 2005, North Dakota gained population, growing by 0.1 percent. This is the first time this decade that North Dakota had back-to-back increases in population.
- The Hispanic or Latino population increased by 66.9 percent from 1990 to 2000, the African American population increased by 11.1 percent, the American Indian population increased by 20.9 percent and the Asian population increased by 8.7 percent.



# Signs of Progress

## Create effective industry organizations (clusters) that will drive North Dakota's economy for the long term.

- Gov. Hoeven and the state of North Dakota are working to advance target industries similar to the industry clusters identified by NEI. Those industries include: advanced manufacturing, information technology, tourism and energy.
- Universities in North Dakota are offering programs to advance NEI clusters. For example, Bismarck State College offers the only program in the country for Electric Transmission Systems Technology. The curriculum is developed through industry partnerships and is customized for individual clients across the United States.
- Two new ethanol plants and the state's largest wind farm are being built.
- NEI cluster activity is highlighted on pages 10 and 11.

## Create capital and support networks for entrepreneurs

- During the 2005 legislative session, SB 2032 was passed to create more options for early stage financing for new businesses by allowing the Bank of North Dakota to invest more money to a venture capital pool for beginning entrepreneurs.
- In 2003 HB 1019 was passed, featuring:
  - Expansion of Seed Capital Investment to provide tax credits to encourage people to invest in North Dakota businesses
  - Economic Development Accountability Measures to evaluate the state's effectiveness and ensure that economic development efforts are achieving results.
  - The Red River Valley Research Corridor received \$200,000 from the 2003 legislative session for promotion and a \$400,000 grant for the 2005 biennium.

## Develop vibrant communities that are attractive to young people and new immigrants

- Dickinson recently built an 80,000-square-foot community center with two pools, a water slide, a climbing wall, basketball courts, indoor track and general fitness center.
- In Fargo, between 1990 and 2000, the Hispanic population increased by more than 100 percent, the African American population increased by more than 250 percent and the Asian population increased by more than 200 percent.
- Both the Fargo-Moorhead Chamber of Commerce and the Bismarck-Mandan Chamber of Commerce have young professional organizations specifically designed for the young people of these communities.

## Develop effective partnerships between government and the private sector to improve the state's business climate

- North Dakota's public and private sectors have worked together at the local, state and federal level to provide more and better paying jobs.
- Business Congress was established in 2003 as a venue for businesses to voice concerns and have ideas produced as proposed legislation. The following initiatives were passed during the 2005 legislative session:
  - Extending and expanding the Bank of North Dakota's authority to invest funds in North Dakota businesses
  - Creating a procurement information Web site through the Office of Management and Budget
  - Renaming and modifying the International Business and Trade Office
  - Providing a program for local economic developer certification
  - Providing a program for image formation
  - Providing a business hotline program.

## Increase the global competitiveness of North Dakota Companies

- \$75,000 was appropriated during the 2003 legislative session to establish a trade promotion authority to improve trade of North Dakota products with other countries.
- In 2004 the North Dakota trade office lead international trade missions; one to Japan and Taiwan that resulted in agriculture-related export sales of \$5 million, and another to China that resulted in \$7.5 million in contracts and letters of intent.
- The state and private sector businesses have plans to combine financial resources to finance international exportation with greater efficiency and less risk.
- Manufactured export volume increased 17 percent from 2003 to 2004.
- The North Dakota Trade Office has a trade mission planned to Australia in March 2006.



North Dakota Chamber of Commerce  
P.O. Box 2636 • Bismarck, ND 58502  
701-222-1611