

*Section 4 -*  
*Economic Development Issues -*  
**Regional Office Organization and Staffing**

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for  
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## **Issue Statement**

The Department of Commerce has two sets of regional offices concerned with economic development. One set focuses on industrial expansion and the second focuses on community planning. This paper assesses the roles, responsibilities, organization, and staffing of these offices.

## **Background**

The Department of Commerce's (DOC) Business/Industry Development Division (BID) operates nine regional offices with a staff of 27 individuals and annual expenditures of about \$1,350,000. The mission of these offices is to:

- Represent the department to economic development groups and assist communities with economic development activities
- Serve as conduits of information between Raleigh and communities
- Coordinate new industry and relocation projects
- Encourage and support regional marketing efforts
- Provide retention and expansion services to existing industry

Each office is staffed by three individuals:

- An Economic Development Representative who manages the office and performs both project-related and long term development activities
- A Retention and Expansion Specialist who serves existing industries
- A Regional Assistant who provides office support and handles data processing

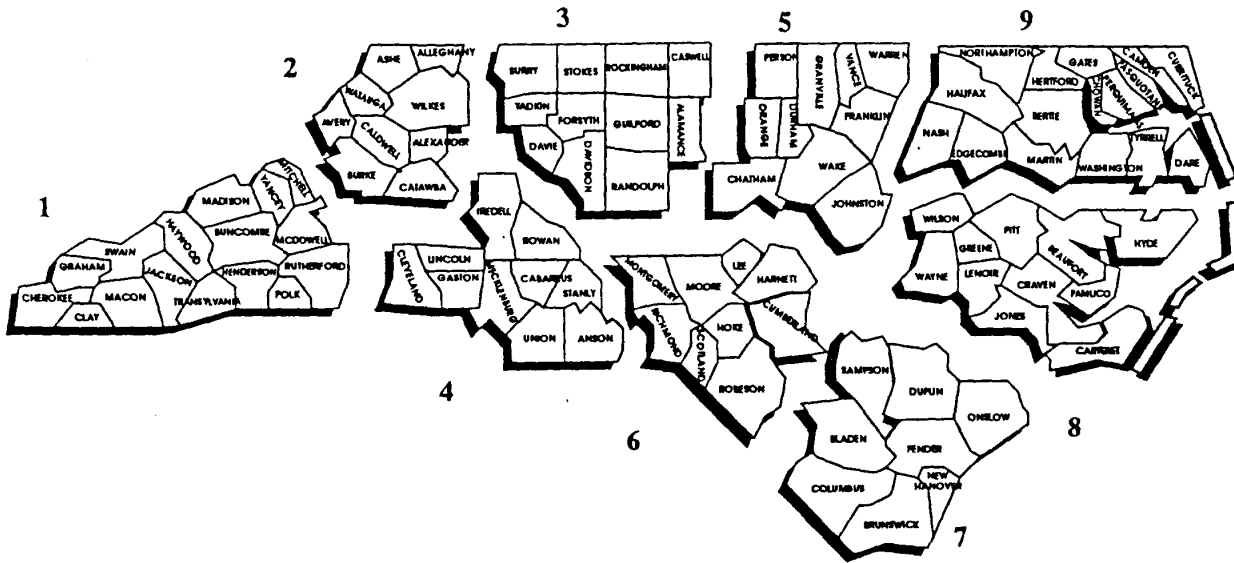
The assignment of counties to regions and location of regional offices is depicted in Exhibit 1 following this page.

DOC's Division of Community Assistance (DCA) operates seven regional offices with a staff of 29 individuals and annual expenditures of about \$1,600,000. The mission of these offices is to:

- Provide aid to counties, municipalities, and community based non-profit organizations in the area of community development, land use and growth management, downtown revitalization, public management, housing, and economic development.
- Conduct policy research, furnish technical assistance, and manage Federal grant programs in these areas.

## EXHIBIT 1

### Department of Commerce Business/Industry Division Regional Offices



#### Regional Office Locations

1. Asheville
2. Lenoir
3. Winston-Salem
4. Mooresville
5. Raleigh
6. Fayetteville
7. Wilmington
8. Greenville
9. Williamston

The assignment of counties to regions and location of DCA regional offices is depicted in Exhibit 2. The number of professional personnel in each office varies from six in Asheville to two in Wilmington. A draftsman is assigned to each of the three larger offices, Asheville, Raleigh, and Washington. Except for drafting, support services are provided by personnel of the Department of Environment, Health, and Natural Resources regional offices located in the same buildings.

Four of these offices are in the same cities as BID offices. Three, those in Asheville, Mooresville, and Winston-Salem, are in the same building. The BID office in Raleigh is in the same building as the departmental offices. The Raleigh DCA regional office and the division office are at other locations in the city.

## **Findings**

***Finding 1: The assignment of counties to regions is not consistent within the department or with that of other agencies.***

The regional alignments of BID and DCA are not consistent and BID has two more offices than DCA. BID geographic assignments vary from those of the Department of Environment, Health, and Natural Resources (DEHNR) which is responsible for environment protection; those of the Councils of Government charged with supporting joint activities by units of local government; and most if not all other State agencies. The DCA regions are congruent with those of DEHNR but not with most other State agencies. This lack of consistency is inefficient and does not promote synergy and coordination among DOC offices.

***Finding 2: Personnel of the two divisions do not effectively coordinate their work.***

Even in the three regions in which they share buildings, the BID regional managers indicate that they have only minimal contact with DCA. BID regional personnel regard the DCA staff as technical resources relative to specific projects. DCA personnel see themselves as having the communities as their clients and BID as having industrial firms as theirs.

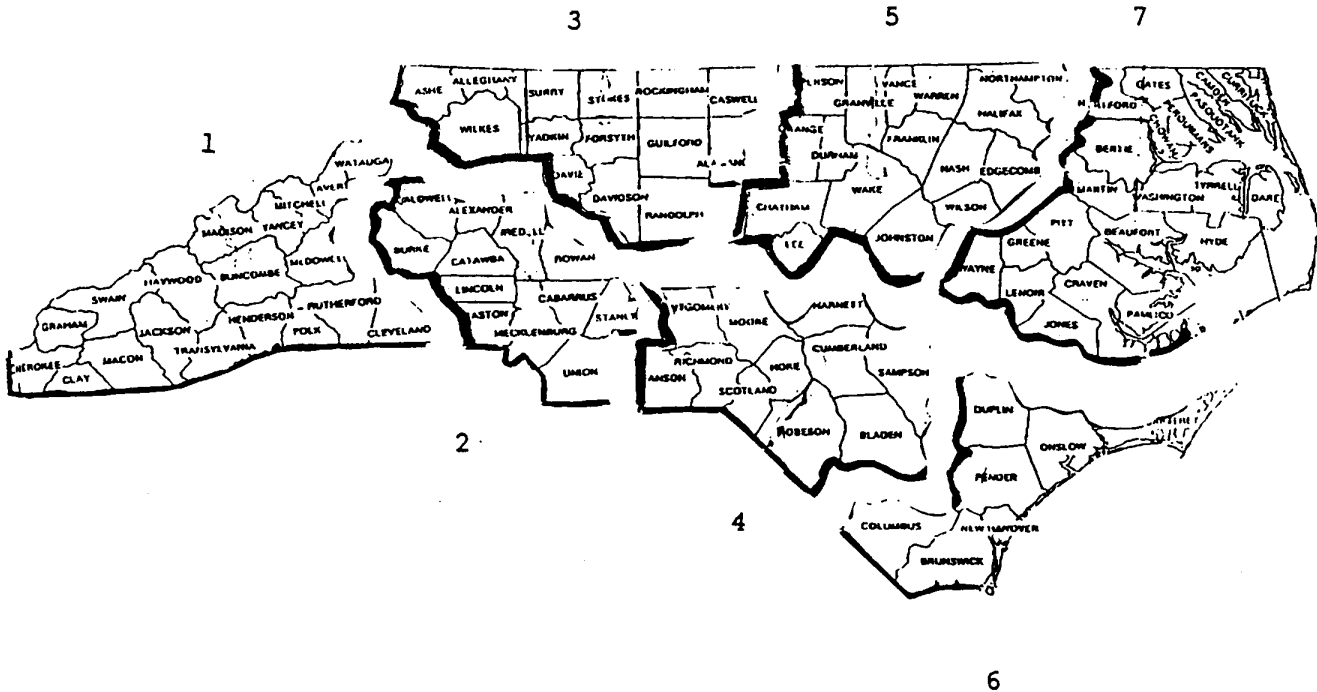
***Finding 3: The mission assigned the BID offices is broad in scope and results in wide variations in workloads, priorities and strategies across regional offices.***

The current mission of BID's regional offices includes three primary functions:

- Coordination of new industry and relocation projects
- Community-oriented long term economic development

## EXHIBIT 2

### Department of Commerce Division of Community Assistance Regional Offices



#### Regional Office Locations

1. Asheville
2. Mooresville
3. Winston-Salem
4. Fayetteville
5. Raleigh
6. Wilmington
7. Washington

■ Retention and expansion services to existing industry

The first two functions compete for emphasis and time to such an extent that they may be incompatible within a small office.

The coordination of new industry and relocation projects is exciting, highly visible, and demands bursts of intense effort. Also, this function has historically been the route to recognition and promotion. On the other hand, helping a community create a climate and infrastructure conducive to industrial development is an incremental process. Typically, long term economic development requires a great deal of work for what appear to be small gains, particularly in rural, poorer counties.

Retention and expansion efforts involve a variety of services to existing industries. These services include answering questions concerning governmental regulation and programs, providing or obtaining technical assistance, and general ombudsmanship. These are very valuable services designed to help preserve and increase existing industrial jobs.

However, the impact of retention and expansion services is difficult to measure or even to compare. One region may devote more effort to larger firms that generate newsworthy expansion projects while another concentrates on smaller employers whose payrolls are vital to their communities. Moreover, the number of industrial firms differs widely among regions. For example, the Northern Piedmont Region has four times as many as the Eastern Region. Such differences affect the amount of support needed.

Regional personnel enjoy considerable operational freedom. Their priorities, strategies, and allocations of staff time vary widely. Some concentrate largely on major relocation projects. Others try for more balance between such projects and community-oriented economic development.

***Finding 4: BID regional offices are pursuing projects that would be more effectively handled by central office staff.***

The management of relocation projects is questionable as a function of offices located in relatively small regions. Given an adequate data base, central office personnel can match the prospect's needs with potential locations. Once potential matches are identified, there are some 240 organizations and individuals based in the individual counties and municipalities who are eager to help with local visits and negotiations. Regional offices appear to be pursuing projects that would be better left to central office staff and local developers not on the State's payroll.

***Finding 5: Development resources and community needs vary widely among counties.***

The 240 local development entities mentioned above differ widely in staffing and resources. Some urban counties have professional developers whose salaries and budgets far exceed those of the regional offices. In other more rural counties, the development effort may be assigned to the county manager, another

county employee, a Chamber of Commerce official, or an interested citizen. The experience, qualifications, and time devoted by these individuals differ widely, as do their budgets and other resources. As a result, the services needed to help communities prepare for and promote industrial growth vary dramatically.

The industrialized Piedmont regions generate more large relocation and expansion projects. During the first 11 months of 1992, projects assigned the Winston-Salem, Mooresville, and Raleigh offices accounted for 66 percent of the announced investment in major projects. Developers in these offices devote more of their efforts to project activity and have more opportunity for the recognition associated with the announcement of the completion of a major project.

Each region includes rural, poorer counties that need support with long term development. Many are losing their more mobile, more employable citizens to jobs in other counties while they struggle to meet the service needs of those who stay behind. Obviously, the eastern and western areas of the State contain more such counties.

***Finding 6: Emphasis on and quality of strategic planning varies widely among regions and counties.***

With the exception of the multi-county alliances mentioned later, most strategic planning for economic development is at the individual county level. Some counties have sophisticated, long range plans based on extensive analyses of local assets and trends. In others, planning is rudimentary at best. The support provided by regional office personnel in this area varies with the priorities and competencies of the regional manager. The support provided by BID offices is strictly targeted on creating new jobs. That provided by DCA offices is more general and addresses not only land use planning but "Quality of Life" issues such as housing, parks, and recreation as well.

***Finding 7: Some regional and community personnel perceive central office staff as keeping new industry prospects to themselves and favoring certain areas for location.***

This opinion is widely held in regions outside the Piedmont and was usually expressed in response to a general question as to how functions could be improved. Such views may be based on the previously noted fact that two thirds of investment announced during 1992 has been in the regions along the I-85 corridor. Moreover, of 968 projects active on November 20, only 85 were new prospects assigned from Raleigh to regional offices outside the piedmont. Available data bases will not support an objective analysis to determine if unwarranted referral patterns exist or if these regions are simply being chosen because their assets match the requirements of the prospects.

***Finding 8: Local developers feel the need for contacts with the department's Raleigh-based personnel.***

All the community-based, non-state development staff interviewed maintain direct contacts with Raleigh office personnel or expressed the desire to be able to do so. Some stated explicitly that they did so to get more projects referred. Others saw it as necessary to build goodwill and promote visibility. One, from a small rural county, saw his inability to travel to Raleigh as one reason the "rich get richer." This perceived need to have direct access to Raleigh appears to be linked to the belief that desirable projects are frequently withheld from the regional offices.

***Finding 9: Dynamic multi-county alliances are neither congruent with regional office boundaries nor consistently addressed by BID's strategy.***

Several multi-county economic alliances present opportunities to utilize voluntary cooperation and non-state funds to accomplish long term development objectives.

The largest in terms of population and resources, the Carolinas Partnership, includes counties from two regions and from South Carolina. It has an initial budget of some \$7 million and plans for cooperative efforts in the areas of data exchange and joint planning. BID personnel are ambivalent about exchanging data because of the inclusion of South Carolina counties.

Partnership East includes most but not all of the counties in the Eastern region plus one from another region. It is embarking on an aggressive regional marketing effort actively supported by the BID regional office.

CarolinaWest consists of seven counties within the Western region. Its plans include joint marketing and the creation of a research park to attract new types of industry. However, the BID regional office was excluded from its formation and subsequent activities. Several smaller alliances straddle BID regional lines and receive differing levels of attention from regional personnel.

DCA has adopted a strategy of encouraging such alliances and is providing support to two: The I-40 Association and the Yadkin/Pee Dee Lakes project. Both these alliances overlap DCA regional boundaries.

The department is handicapped in playing a leadership role in this arena by regional boundaries, lack of clarity as to the mission of both divisions, and the absence of coordinated strategy.

***Finding 10: Perception by community developers of BID regional personnel varies dramatically.***

The views of community-based individuals concerning their regional staff ranged from high praise, through polite indifference, to harsh criticism. Some regional staff members were seen as sensitive to local needs and as rendering valuable services. Others were not. Some of this variation may be attributed to differing perceptions of the regional office mission.



***Finding 11: The flow of information within BID lacks strategic focus and does not effectively utilize computerized data processing techniques.***

Information from the regional offices is typed, transmitted on paper forms, keyed into computerized systems, and eventually made available in printed reports. This approach requires duplicative data entry and clutters information flows with cumbersome, out-of-date paper documents. More importantly, coupled with real and/or perceived secrecy requirements, it makes the retrieval of information from the central files a difficult, time consuming process. As a result, regional offices are maintaining their own files of information that should be readily attainable from a single on-line data base.

The creation and maintenance of project records is not consistent among the offices. The repetitive paperwork involved in maintaining up to date historical records of projects is seen by some staff as onerous and productive only when newsworthy success is achieved. As a result, a potentially valuable data base is less than adequate.

Moreover, the current project information system is not intended to serve as a project management system or a staff time management system. As a result, it does not provide for continuing analysis of referral patterns, time utilization, individual performance, or trends in industry location/expansion criteria.

***Finding 12: Requests for information and service from other agencies are handled individually and consume a significant amount of staff time.***

A significant aspect of regional office operations is obtaining information and services for existing and prospective industrial clients. Each office has its own file of contact information and deals with these requests as individual cases. When the response requested is not forthcoming, the normal follow up is to telephone the individual contacted. Since many requests are similar, the current process frequently involves solving the same problems over again. As a result, staff time is being wasted and less than optimal service rendered.

***Finding 13: Expertise in the area of environmental concerns is seen as a major asset.***

Both regional office personnel and community contacts consistently mentioned the services of the department's environmental engineer as a valuable and sought-after asset. Existing industries are particularly anxious to avail themselves of assistance from a knowledgeable source not seen as connected with a regulatory agency.

**Recommendations**

***Recommendation 1: Merge the regional offices of both divisions and redefine their mission to focus on community-oriented economic development.***

Regional offices are uniquely situated to promote long term economic growth - both by helping communities make themselves more attractive to new employers and by supporting existing industries. As long as new industry and relocation projects are part of the BID regional office's mission, those projects will tend to be assigned higher priority and orient development efforts toward the short term. The longer term functions will be seen as less rewarding to staff and receive less emphasis even though they may be more productive in terms of balanced, orderly, and sustained growth. Therefore, it is recommended that such projects be handled by the central office in cooperation with the staff of counties, municipalities, multi-county alliances, and other organizations.

Given a mission focused on long term community development, the operations of the two divisions become quite complimentary. The planning capabilities of DCA should enable communities to select approaches to growth suited to their human and physical resources. The job creation/retention abilities of BID should help make those plans viable. Therefore, the recommendation is that the regional offices of these divisions be merged and assigned such a mission.

***Recommendation 2:      Realign regional boundaries to reflect the new mission and strategies.***

Consolidation of the divisions and redefinition of their regional functions will provide a logical framework for reassignment of counties and personnel to regional offices. Currently, the BID regional offices are so small they require a rather high ratio of support to professional staff. At the same time, both divisions have regions that are so large that it is difficult for a single individual to develop working relationships in all communities.

Commerce should consolidate the existing regional offices into a smaller number of larger regional offices to carry out economic development activities recommended in this paper. The commerce Department should determine the appropriate number of offices and define a single set of regional boundaries to effectively carry out its responsibilities. Our preliminary analysis indicates that three to six new regional offices will be needed to serve the state.

The enhanced data system recommended later will reduce the amount of stenographic and other support activity required in the regional offices. Reducing the number of offices will also save administrative support time. It should be possible to reduce support staffing by three to six clerical positions.

Since all the recommended functions are not currently being performed, it is difficult to project the impact of regional consolidation on professional staffing. The relocation project activities of the BID regional staff probably represent six or seven full time equivalents. If the staffing of the DCA were adequate to handle the community-oriented development activities, these positions could be eliminated.

Given an enhanced staff management system and more equitable geographic assignments, it should be possible to maintain at least the current level of retention and expansion services with two or three fewer staff. However, it would probably be more desirable to increase the level of service provided.

***Recommendation 3: Assign top priority to services for poorer, less developed counties.***

A logical role of the merged regional offices would be to concentrate on assisting those who need help most; that is, to champion and support rural, underdeveloped areas. These counties not only have a greater need for jobs and tax revenues, they are less likely to be able to afford costly development efforts. Therefore, a primary objective should be to keep the least economically developed counties from becoming even worse off.

As part of the regional alignment recommended above, rural counties would be placed in small homogenous groupings and assigned more staff resources than urban areas. The mission would be to guide communities in implementing growth plans suited to their particular combinations of assets, liabilities, and aspirations.

***Recommendation 4: Implement strategies for providing leadership to multi-county alliances.***

These alliances have the potential to become powerful engines for development. The department should be a key participant in and resource to these initiative.

Basic strategic issues include the exchange of information, joint planning within transportation corridors and aquifers, marketing initiatives, and coordination of services to existing industries. While some competition between alliances and with State efforts may be healthy, guidelines are needed to minimize duplication and negative impact.

The recommendation is that strategies be delineated for active regional office support of multi-county alliances. Appropriate roles would include development of shared data bases as to community characteristics and development plans; requirements of industries groups and individual prospects; and sources of technical assistance, grant funds, and other resources. Regional personnel would participate in group planning and promote coordination and compliance with departmental guidelines. The realignment of regional offices recommended above would facilitate assignment of staff to work with particular groups on a continued basis.

***Recommendation 5: Develop an integrated, fully-automated data system to support regional office functions.***

Immediate access to a comprehensive data base is essential to efficient performance of most regional office activities. Employment statistics, regulatory information, status of client requests and contacts, industrial park and building status data, community profiles, and relocation/expansion project status and history are only examples of information needed. An appropriate data system would include the following elements:

- Data collected within the department would be recorded immediately after it becomes available.

- Once recorded, data would be available on a computerized screen to all users with an appropriate need. When needed, paper reports would be printed on the spot.
- Summary and analytical reports would be prepared through the use of user friendly report generator programs.
- Data from other agencies would be obtained by computer to computer linkages and would be available to all users.
- Preprogrammed "exception only" reports would alert managers to conditions and trends requiring their attention.

A key element in the development of this system would be definition of priorities and guidelines for data collection. For example, if the project file is to provide the basis for strategic analyses, it will be necessary to record data concerning unsuccessful projects consistently. If it is to serve as the basis for staff time control and performance evaluation, it will require new types of data and cost effective techniques for their collection.

***Recommendation 6: Develop department level arrangements to facilitate data and service requests to other state agencies.***

Some such requests are repetitive and could be handled by data system links or telephone access to recorded messages. Others require personal contact that could be facilitated by designation and publication of the individuals to be contacted. "One stop shopping" for the permits required for construction and expansion would be desirable. The same, single source approach to answering questions about training resources, potential financing, statutes, workplace regulations, and others subjects would greatly facilitate the ombudsman function. Further, structured inter-department techniques for following up and expediting requests for action could both save staff time and improve services to the citizenry.

***Recommendation 7: Consider the expansion of environmental engineering and other technical services as part of regional office operations.***

Redefinition of the regional office role in providing services to communities and existing industry will involve examining the need for technical consultation. Moreover, approaches to such consultation other than adding staff merit consideration. Examples include utilizing the staff of regulatory agencies to provide technical assistance, budgeting funds for consultation fees, and technical training of regional staff.

## Implications

Consolidation of the regional offices and the installation of a new data handling system could produce personnel reductions of between three and six support staff by eliminating duplicatory stenographic and receptionist duties. Six or seven professionals would be displaced by removing relocation projects from the regional offices. Two or three retention and expansion professionals could be eliminated by more equitable work assignments and an enhanced time management system. The overall staff reductions are summarized below:

### Estimated Staff Reductions for Five-year Period

	<u>Current Year</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Support Staff	12	6-9	6-9	6-9	6-9	6-9
Professional Staff	44	34-36	34-36	34-36	34-36	34-36
Potential Reduction in Total Staff		11-16	11-16	11-16	11-16	11-16

The potential staff reductions represent savings of salary and fringe cost in the range of \$456,000 and \$624,000 annually. Some savings in office support costs, (i.e. rent, telephone, supplies) may be achieved. There could, however, be offsetting increases in travel costs. Installation of the recommended information system would involve a significant one time investment, which should be recouped within one or two years.

The recommended changes would direct department resources toward serving poorer counties directly rather than by the "trickle down" approach of recruiting new industry into more urban counties. They are designed to lend credibility and impact to current community assistance efforts through a pragmatic emphasis on economic development.

## Implementation Considerations

The recommended change of mission would require major changes in the culture of both divisions. BID staff would need to reorient their "client" focus to concentrate on serving communities. DCA personnel

would need to increase their emphasis on private sector marketing.