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***ENTERPRISE FLORIDA:***  
**Partnership for a Competitive Economy**

Prepared for:

Florida Chamber of Commerce and  
Florida Department of Commerce

Prepared by:

Center for Economic Competitiveness  
SRI International

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The Florida Department of Commerce



## FOREWORD

The economic challenges of the 1990s require a strategic approach to economic development that goes well beyond traditional ways of doing business. In fact, business as usual in today's competitive environment is simply not enough. To meet these challenges, Florida must change its strategic direction and organization for economic development.

Enterprise Florida is the product of an historic joint venture between state government and the state's business community. The Florida Chamber and the Florida Department of Commerce joined together to prepare an organizational plan for implementing the Chamber's Cornerstone and Enterprise Florida studies and the results from the Governor's Transition Task Force and the Government by the People Commission. With assistance of SRI International and the Counsel for Community Development, a statewide Economic Development Task Force examined experiences from other states as well as prior Florida studies to develop this report.

Enterprise Florida will enhance economic development by joining the efforts of the public and private sectors in a more integrated way. Enterprise Florida is a true public-private partnership, not a privatization of economic development. Over three years, certain functions of the Department of Commerce will be incorporated in Enterprise Florida under a Board of Directors that will be chaired by the Governor and a senior business leader. Members of the legislature will be included on the Board of Enterprise Florida along with private sector leaders from across the state. Enterprise Florida will give more focus to economic development than now exists under our fragmented system.

Now is the time to act to build a strong economic future for Florida. The goal of Enterprise Florida is to create a competitive economy that will generate high quality of jobs and a better quality of life for all Florida residents. The economic health of our state and the ability to pay for our quality of life are directly linked and must be a top priority for all Floridians. Economic development is not simply a business issue or a regional concern—it is the way all Floridians earn a higher standard of living.

Governor Lawton Chiles believes Enterprise Florida will give us the ability to create our future together rather than respond in a reactive, isolated manner to events beyond our control. New ways of working together are required to prosper in the 1990s and beyond.

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## I EXECUTIVE SUMMARY

Enterprise Florida is a state-wide public-private partnership that will provide the strong leadership and economic development tools necessary for a competitive economy that creates high quality jobs and a rising standard of living for Florida residents.

The 1990s will require a more strategic approach to economic development based on a joint effort by public and private sectors. Global competition, defense restructuring, weakness in real estate and financial industries and slower growth in the national economy have combined to make the decade of the 1990s a more difficult decade than the 1980s for Florida. Faced with these economic challenges along with severe fiscal constraints, Florida's leaders must work together in a focused way to build a competitive economy.

Enterprise Florida will fill a critical leadership void created by fragmented economic development efforts in Florida today. While a wide range of public and private organizations at the state and local level are now involved in economic development, Florida lacks an integrating force that can provide the leadership required to meet the economic challenges of the 1990s.

Enterprise Florida will be this integrating force. The Enterprise Florida Board of Directors, chaired by the Governor and a senior business leader, will oversee economic development in Florida. It will implement a strategic plan for economic development, formulate policy, and assess performance of economic development. The Board is the most significant change from the current organizational approach to economic development. It is the core element of the public-private partnership and will operate as a nonprofit corporation.

The Enterprise Florida Board would have staff units for executive support, statewide economic research and statewide marketing. These Board-level activities would support the state's local and regional economic development organizations which will play the central role in service delivery. Several affiliate organizations will be established as nonprofit corporations with public-private boards linked to Enterprise Florida to provide support to businesses and communities in technology, training, capital, and new enterprise development. Each affiliate organization will focus on building the critical economic foundations for competitiveness.

Over a three year phase-in period, Enterprise Florida will assume and enhance the current economic development functions, domestic and international, of the Department of Commerce. Success in building clusters of high-value-added industries requires closely coordinated domestic

and international development programs. The Board will direct both, with the Florida International Affairs Commission represented on the Board and likely brought into Enterprise Florida structure as an affiliate organization. While there certainly will be on-going contact and communication with the State's tourism promotion programs, Enterprise Florida is not expected to oversee that effort, at least at the outset.

Enterprise Florida will not duplicate the Department of Commerce. Instead, key units within the agency—those performing marketing, research, business assistance and administrative functions—will be incorporated into the organization over the three year period. The Secretary of Commerce will be a member of the Board of Directors overseeing a more comprehensive and effective Florida economic development effort, with Enterprise Florida becoming the State's economic development organization.

The major benefit of Enterprise Florida will be coordinating existing state and local economic development efforts to create a more strategic approach. Instead of a wide variety of unrelated programs, Florida will have a strategy for a competitive economy that will focus on attracting, retaining and growing high-value-added economic clusters based on strong economic foundations of skilled human resources, capital availability, accessible technology and a competitive tax and regulatory climate. This will result in higher quality jobs for Florida residents, more customer focused economic development services for the private sector and a more efficient and effective delivery of services provided by the public sector. New economic development tools including access to risk capital, applied technology and industry based training would be provided in a more focused manner.

Enterprise Florida will be funded jointly by the public and private sector. Public funds appropriated by the Legislature for economic development would be allocated by the Enterprise Florida Board. Private funds would be contributed to Enterprise Florida, creating leverage for public funds. In the first year, public and private funds would be used for the start-up of the Enterprise Florida Board and initial strategic planning. In future years, many existing functions of the Department of Commerce would be incorporated in Enterprise Florida with public funding and the affiliate organizations would be established with combined public and private funds.

The Enterprise Florida Board and its affiliate organizations would be held accountable for the use of public and private funds based on performance measures based on both outcomes and finance. The Enterprise Florida Board will provide an annual report to the public and the legislature with a full accounting of accomplishments and an audit of spending.

The success of Enterprise Florida should be measured in terms of new business start-ups and survival rates, expansion of both small and large businesses, attraction of businesses within targeted economic clusters and higher job quality (rising real wages) as well as job creation. Enterprise Florida would establish benchmarks based on national and regional standards which would become appropriate goals in each of these areas.

At least five affiliate organizations are proposed for Enterprise Florida to be developed over the next three years. Each would be a free-standing nonprofit corporation with its own board of directors. At least one member of the board from each affiliate organization would also serve on the Enterprise Florida Board. The affiliate organizations would include:

- *Florida Technology Partnership Corporation* that would develop a strategic plan for technology development statewide and provide matching funds to act as a broker between universities and industry on technology issues. The corporation will help technology-based firms create new products in Florida.
- *New Enterprise Development Corporation* that would provide technical assistance and incentive funding for regional capacity building, enterprise strategies, networks, information, and advocacy. This corporation will help entrepreneurs be more successful in Florida.
- *Private Sector Risk Capital Partnerships* that would leverage private funds for mezzanine capital and provide both equity and debt capital raised from local investors for new enterprise development. The partnerships will help the state's small and medium size firms gain access to capital.
- *Florida Development Finance Corporation* that would provide financing using taxable and tax exempt bonds as well as bond packaging. This corporation will help fund critical infrastructure needs.
- *Florida Training Partnership Corporation* that would create a strategic plan linking economic development/industry needs with vocational education and community college and provide matching grants to develop partnerships between education providers and employers. The partnership will help people gain the skills necessary to be competitive in today's economy.

The Enterprise Florida Board would contract with each affiliate organizations based on the approval of the strategic plans submitted by each affiliate organization. Using this core funding support, each affiliate would be expected to leverage additional private or public funds for its operations.

Enterprise Florida will serve the entire state including both metro and non-metro areas and all ethnic and racial groups. All economic development organizations in the state will benefit from the programs of Enterprise Florida. Geographic areas that are not currently organized for economic development will be eligible for capacity building assistance directly from the Board and from the affiliate organizations. Minority business enterprises will be actively involved in the capital, training, technology and new enterprise development efforts of Enterprise Florida.

Under the cluster driven approach to economic development that underlies Enterprise Florida, minority business will play a key role with clusters and rural areas will participate in statewide cluster development.

A three year migration plan is required to fully implement Enterprise Florida. In year one, key steps involve enacting enabling legislation and the formation of the Enterprise Florida Board. The Board would need to hire start-up staff and begin developing the strategic plan. Initial units such as research and marketing could be transferred from the Department of Commerce.

In the second year, the strategic plan would be used to guide marketing efforts and the targeting of key clusters for attraction, retention and growth. Additional units from Department of Commerce would be transferred to Enterprise Florida and the first set of affiliate organizations would be established.

During the third year, a fully developed Enterprise Florida would emerge with a full range of affiliate organizations and all functions of the Department of Commerce would be incorporated into Enterprise Florida.

Implementing Enterprise Florida will make Florida a national leader in economic development and position Florida to be a major competitor in the global economy well into 21st Century. A new organizational approach based on a public-private partnership is required to meet the economic challenges of the 1990s and build a prosperous future for all Floridians.



## II THE CHALLENGE

### Overview

Florida is ready to move to a new stage of economic development. Economic development today is about attracting, retaining, and growing value-added clusters of industries that generate high-quality jobs. Enterprise development within these clusters is sustained by strong economic foundations, including a skilled work force, accessible technology, available capital, and quality of life.

In the global economy, the critical issue facing Florida is how to promote competitiveness as the means of creating a rising standard of living. The goal of economic development has become higher real wages and per capita income gained from higher productivity in addition to job creation. The building blocks of a higher-productivity economy are the economic foundations—such as human resources, capital, and technology—that are essential for competitive clusters of enterprises. This requires that domestic and international economic development functions be closely linked to build clusters of high value added industries.

In this context, Florida must rethink how it organizes and manages the process of developing its economy. This report recommends *Enterprise Florida* as a new statewide partnership to help guide Florida's economy into the 21st century by providing the leadership and the economic development tools required for building strong foundations for global competitiveness. It builds on a number of previous studies of economic development in Florida as well as experience from other states. It reflects new thinking about the role of government and public service delivery generated by the Government by the People Commission.

This report captures the new strategic directions for economic development that have been emerging in Florida at the community level, from the business community, and from the leadership of the Governor and the Lieutenant Governor. Now is the time for Florida to be bold and visionary in charting its future. *Enterprise Florida* is an organizational structure that is bold, visionary, and feasible because it builds on the lessons of other states who, with Florida, are moving into the lead by implementing new approaches to economic development.

### Objectives of This Project

Building on previous economic development reports concerning Florida as well as on lessons from other states, the project is designed to create a "state-of-the-art" organizational approach to delivering economic development services in Florida. The project has four key objectives:

- Identify the organizational implications of *Cornerstone*, *Enterprise Florida*, and other recent reports.
- Analyze organizational innovations from other states and identify the best practices in the nation.
- Assess current proposals for organizational changes in Florida.
- Develop an implementation plan for organizing economic development.

To achieve these objectives, a task force was established by the Florida Chamber in cooperation with the Florida Department of Commerce. The task force has worked with two firms experienced in state and local approaches to economic development, SRI International and the Counsel for Community Development.

The task force met monthly between May and September 1991 to identify lessons from previous Florida studies, survey best practices from other states, and establish the framework for organizing economic development. This report provides the recommendations of the task force.

## Context

A number of recent reports have focused on the changing nature of the Florida economy and the need to rethink the state's approach to economic development. A clear evolution of thinking about economic development in Florida over the past several years is reflected in these reports.

### *Cornerstone*

The Florida Chamber's *Cornerstone* report set the stage with conclusions regarding the need for new economic development strategies if Florida is to make a successful transition to a leadership economy. A key passage in that report summarized the state's challenge:

To be a leadership economy Florida must learn to compete nationally and internationally on the basis of higher productivity by adding value to products and services, not simply on the basis of low cost. ... Achieving this vision of Florida's future requires a commitment by the state's leaders to build stronger economic foundations in high-quality human services, accessible technology, capital availability, and forward-looking physical infrastructure while maintaining a high quality of life, a competitive tax and regulatory environment, and strong economic development programs. These are the new elements of a competitive business climate that are required to add value to Florida's products and services and generate increasing real income and employment for Florida's people. These critical foundations are required for growth of dynamic industrial clusters in Florida ranging from biomedical, information and space industries to business services, tourism and experience industries, and value-added agriculture.

*Cornerstone* recommended a statewide strategy for building economic foundations—a powerful new economic infrastructure—to attract, retain, and grow value-added industrial clusters. In addition to specific recommendations for each foundation area, *Cornerstone* provided



recommendations about economic development policies and programs. Some of the key recommendations now being pursued by the administration and others throughout the state are:

- Promoting a balanced economic development strategy focused on attracting, retaining, and growing high-value-added industries.
- Strengthening support for regional enterprise development networks that provide assistance to new firms.
- Providing state economic development support tailored to strategies developed by regional and local economic development groups.

### **Enterprise Florida Study**

Last year, after the *Cornerstone* project set the stage for new thinking about economic development, a second key project by the Florida Chamber took the statewide strategic approach to the regional level by examining in detail new enterprise development within specific industrial clusters. Enterprise Florida study focused on specific strategies for fostering new enterprise formation as a key element of overall economic development. That report summarized the challenge as follows:

New enterprise development is critical to Florida's economic future. Florida's shift to a high-value-added economy in the 1990s depends on the growth of industrial clusters composed of tightly linked large and small firms that together create comparative advantage in an increasingly competitive marketplace. In the past, Florida has been successful in attracting large firms within emerging clusters. Florida must now focus on promoting the growth of new firms within these clusters to achieve its full economic development potential.

Action should be taken at both the regional level and the state level to provide support to new enterprise development initiatives in Florida. The report recommends [development of] a statewide initiative called *Enterprise Florida* that would provide overall leadership to efforts to support enterprise development in the state.

The Enterprise Florida study concluded that a new organizational approach to economic development was needed—an approach that brings together public and private interests for establishing statewide policies and priorities and for strengthening local and regional development actions.

### **Transition Task Force**

The final report of the Transition Task Force on Economic Development reached similar conclusions. The Transition Task Force recommended taking a “*different approach to delivering state economic development services.*” Key recommendations from that report are summarized below:

- Include regional and local entities, public and private, in delivering state economic development services.
- Tailor programs and policies to meet local needs.
- Insist on better high-level coordination among state economic development programs.
- Establish a stronger working relationship with the private sector.
- Create clear, effective division of labor between state and local economic development programs.
- Adopt a strategic plan for economic development that calls for targeted and balanced efforts to improve the Florida economy and is oriented toward building high-value-added industrial clusters.

### **Economic Development Advisory Council**

Finally, the Economic Development Advisory Council, which advises the Department of Commerce, has recommended action in most of the foundation areas identified in *Cornerstone*, including education, technology, capital, regulatory reform, and tax structure, as well as action to change the organization and funding of economic development programs in the state.

Overall, it is clear that several previous reports in Florida have pointed toward the need to develop new approaches to economic development. It is also clear that this emerging consensus about new policies and directions includes agreement about the need for new organizational approaches to implement those new strategies.

### **Experiences from Other States**

Other states are struggling with similar issues concerning the directions of economic development strategies and the most appropriate ways to organize for economic development in the 1990s. Although much experimentation has been under way, no state has yet put all the pieces together. Florida has the opportunity to be a leader in this area.

Some of the key lessons from other states include:

- *Economic process is more important than agency function.* The economic development process can no longer be equated with the function of one agency (such as a department of commerce) but instead involves a wide variety of actors both within and outside the economic development process. Accordingly, states such as Arizona and Maryland are rethinking the roles of the departments of commerce in their states, and Pennsylvania and Kansas have created public-private partnerships to set economic policy. In each case, economic development has been viewed as a process that requires strong support from both the governor and top-level private leaders.
- *Enhancing the economic development system is more important than tinkering with economic development programs.* Specific programs are far less important than how the programs fit together in an overall strategy. For example, Minnesota and Oklahoma

integrated their economic development resources to make them more useful and accessible to businesses. In these states, economic foundation elements are linked to an overall governance structure that guides economic development in the state.

- *Clusters of firms are more appropriate targets than individual firms.* Oregon and Arizona are now focusing their economic development efforts around natural clusters of industries. In both states, industry leaders within key clusters are working together to forge cluster-based economic development strategies. In Florida, clusters should be viewed as statewide networks of firms with the potential for buyer-supplier relationships across the state. Moreover, Florida must recognize and develop potential in all its clusters ranging from the mature and still growing (e.g., tourism) to those that are fast emerging (e.g., health, international distribution).
- *Building strong foundations is a better strategy than creating new programs.* A wide range of states, including Kansas and Arizona, are establishing mechanisms to identify and strengthen economic foundations and link them to businesses. Human resources, capital, and technology programs are being designed in a more comprehensive manner with strong links to overall economic development strategy.
- *Focusing on "customer demand" is a better strategy than focusing on "program supply."* Ohio and Michigan are facilitating direct industry participation in the process of program design, and a wide range of states are using matching grants and incentives to make programs more industry driven. With the use of matching grants, the private sector must demonstrate a true demand for a service before it is funded by government.
- *Measuring impact and achieving accountability are critical.* Oregon, Kansas, and Oklahoma are building accountability and benchmark measures into economic development programs and creating methods to monitor results.

The lessons from other states are clear and lend further support to the need for new thinking about organizing for economic development in Florida. Traditional economic development programs and agency roles are being rethought in fundamental ways in line with the new economic realities facing states today. New public-private partnerships are emerging that provide support to the economic foundations essential to the growth of value-added clusters. Private-sector, customer-driven approaches are essential to designing systems that support the enterprise development process.

### III DESIGNING A NEW ORGANIZATIONAL APPROACH

#### Organizing Principles

The previous research and experience in Florida and other states suggest a number of key principles that can guide efforts to organize economic development in Florida. These principles are based on three major elements:

- *Economic clusters.* Florida has competitive advantages within a number of economic clusters having elements across the state ranging from health/biomedical and information industries to business services, tourism, and agriculture/food processing. These are state-wide clusters that include export major industries and support large and small businesses. Growing these clusters is a key objective of economic development. Although the private sector must take the lead in cluster development, government can play a supporting role. Accordingly, Florida's statewide economic development efforts should focus on critical clusters.
- *Economic foundations.* Florida's ability to grow competitive clusters depends on the strength of its economic foundations, especially in the areas of human resources, capital, technology, tax and regulatory environment, physical infrastructure, and quality of life. Both public and private actions are necessary to build these foundations. This means that Florida's statewide and local economic development efforts should focus on building public-private partnerships to support key foundations.
- *Economic regions.* Florida has a number of diverse economic regions with different industrial structures and economic foundations. Each region has different opportunities and threats based on its unique attributes. Because of these differences, economic development strategies must be tailored to local needs. This means that Florida's economic development systems should be designed to allow for flexibility in their operations.

These three elements—economic clusters, foundations, and regions—are the building blocks for economic development strategies. The critical organizing principles that derive from these elements can be summarized as:

- *Economic development strategies should be cluster driven.* State economic development strategies should focus on identifying opportunities to grow economic clusters and on organizing attraction, retention, and creation strategies around these clusters on a statewide basis.
- *Economic foundations should promote linkage through strategic investments.* State-level investments in human resources, technology, and physical infrastructure should promote cluster development and encourage greater linkages within the state. For example, the state university system can play a critical statewide role in fostering cluster development and linking regions. All aspects of economic foundations need to be addressed in order to achieve competitiveness.
- *Public investments should leverage private investments.* Public funds invested in economic foundations should leverage additional investments from the private sector in both supporting those foundations and growing clusters.

- *Economic development incentives should encourage networking within and across economic regions.* Economic development today is more than attraction. It involves building strong networks among private-sector, education, government, and community groups to grow competitive clusters.
- *Economic development should be based on a flexible local delivery system.* Because economic regions vary widely in needs and capacity, the economic development delivery systems should be flexible in design to meet the challenges of different environments.

These organizing principles set the general parameters for a new type of organizational design for economic development. The new approach is driven by private-sector needs within clusters, focuses on networking and leveraging resources, and directs government action toward building foundations at both state and local levels.

### **Specific Design Criteria**

These organizing principles led to a set of design criteria that can be used to evaluate organizational changes. The new economic development organization should be:

- *Customer focused.* Economic development programs should be designed to meet the needs of economic clusters/firms.
- *Market driven.* Economic development programs should be designed to respond to private-sector demand.
- *Incentive based.* Economic development programs should provide incentives to both the private sector and economic regions to cooperate in growing clusters and building foundations.
- *Performance based.* Economic development programs should be held accountable to performance measures that are based on economic goals.
- *Diversity oriented.* Economic development programs should be designed to allow for state, regional, and ethnic diversity. In addition to tailoring programs to different local needs, there should be appropriate emphasis on minority business enterprise opportunities.

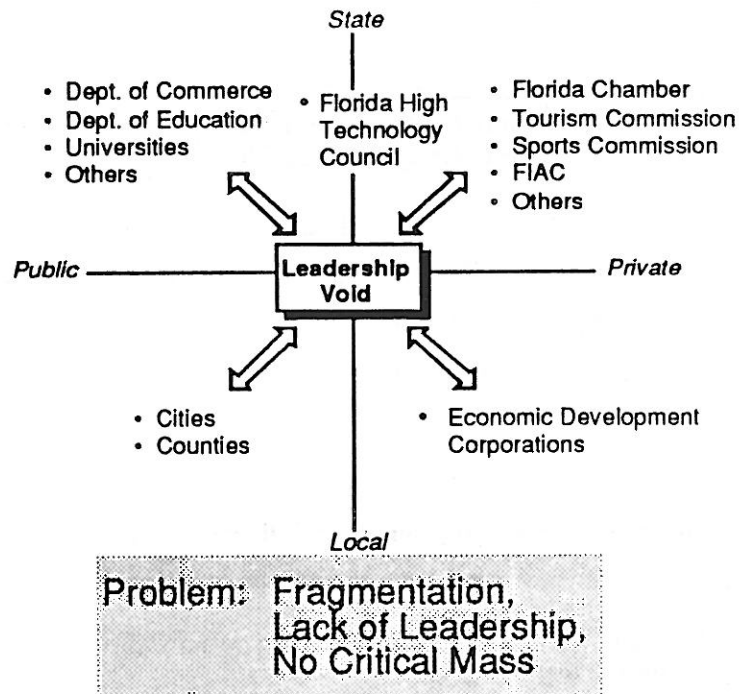
These design criteria can provide the basis for developing the new economic development approach for Florida.

### **Rationale for *Enterprise Florida***

This report makes the case for a major change in the way that Florida organizes for economic development. Although a number of recent studies have pointed toward the need for this dramatic change, there is one underlying rationale for *Enterprise Florida*:

*Enterprise Florida* will fill a critical leadership void at the junction of the public and private sectors on the one hand and the state and local levels on the other (see Figure 1).

## Fragmented Economic Development System Today



## Integrated Economic Development System for 1990s

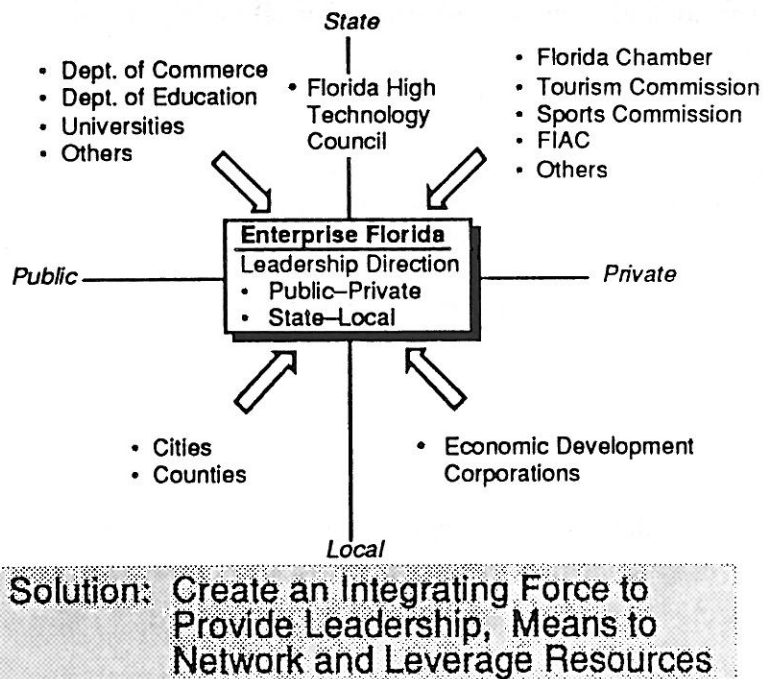


FIGURE 1 RATIONALE FOR ENTERPRISE FLORIDA



Competing in the global economy requires public and private leadership at the state and local levels that can meet the new challenges of economic development. *Enterprise Florida* will bring new economic development tools, but most importantly it will provide a vehicle for strong statewide leadership on economic development issues at a time when Florida's economic future is threatened by a number of major external forces. To realize the opportunities that Florida has in the 1990s requires a new level of leadership and commitment based on a higher-level partnership between the public and private sectors and between the state and local levels.

Today, a wide range of organizations engage in economic development in a highly fragmented system. *Enterprise Florida* can create integrating forces to provide leadership as well as means to network and leverage resources for economic development. *Enterprise Florida* can provide a new vision of Florida's economy based on an expanded definition of economic development that focuses on quality of jobs and quality of life for all Florida's residents.

*Enterprise Florida* will be Florida's economic development board representing the public and private sectors as well as state and local levels. It will respond to the needs of Florida's businesses and its people.

## IV ENTERPRISE FLORIDA: THE BASIC FRAMEWORK

### Overview: Organizational Structure

This section describes the proposed approach to organizing *Enterprise Florida* and focuses on the design goals and organizational details of each component of the approach. Overall, it is recommended that a new organization be formed—*Enterprise Florida*—that would be a nonprofit, public-private partnership to set overall economic development policy, provide guidance to the state's economic development system, and assess the performance of the system against measurable goals.

The proposed organizational structure would have several major components (see Figure 2). At the highest level is the Board of Directors, responsible for statewide economic development policy and priorities. Reporting to the Board of Directors and operating at a second level are three staff units, one designed to provide executive support to the Board, another to support statewide economic research, and the third to support statewide marketing. The third major component of *Enterprise Florida* is made up of the state's local and regional economic development organizations. Finally, the fourth component consists of several operating units designed to support local and regional economic development organizations with new or enhanced programs and services ranging from technology development and business financing to employment training. In the sections below, each component of the *Enterprise Florida* concept is discussed in detail.

Existing economic development organizations will migrate into *Enterprise Florida* during a three-year implementation plan outlined below. The current functions of the Department of Commerce will be incorporated into *Enterprise Florida* during this period. The end result will be an overall *enhancement* of economic development efforts at the state level under the leadership of a strong public-private partnership.

### Board of Directors

At the core of the concept is the *Enterprise Florida* Board of Directors, which will be responsible for overseeing economic development in Florida. It will represent the economic development constituencies in the state, in effect serving as a central development board to



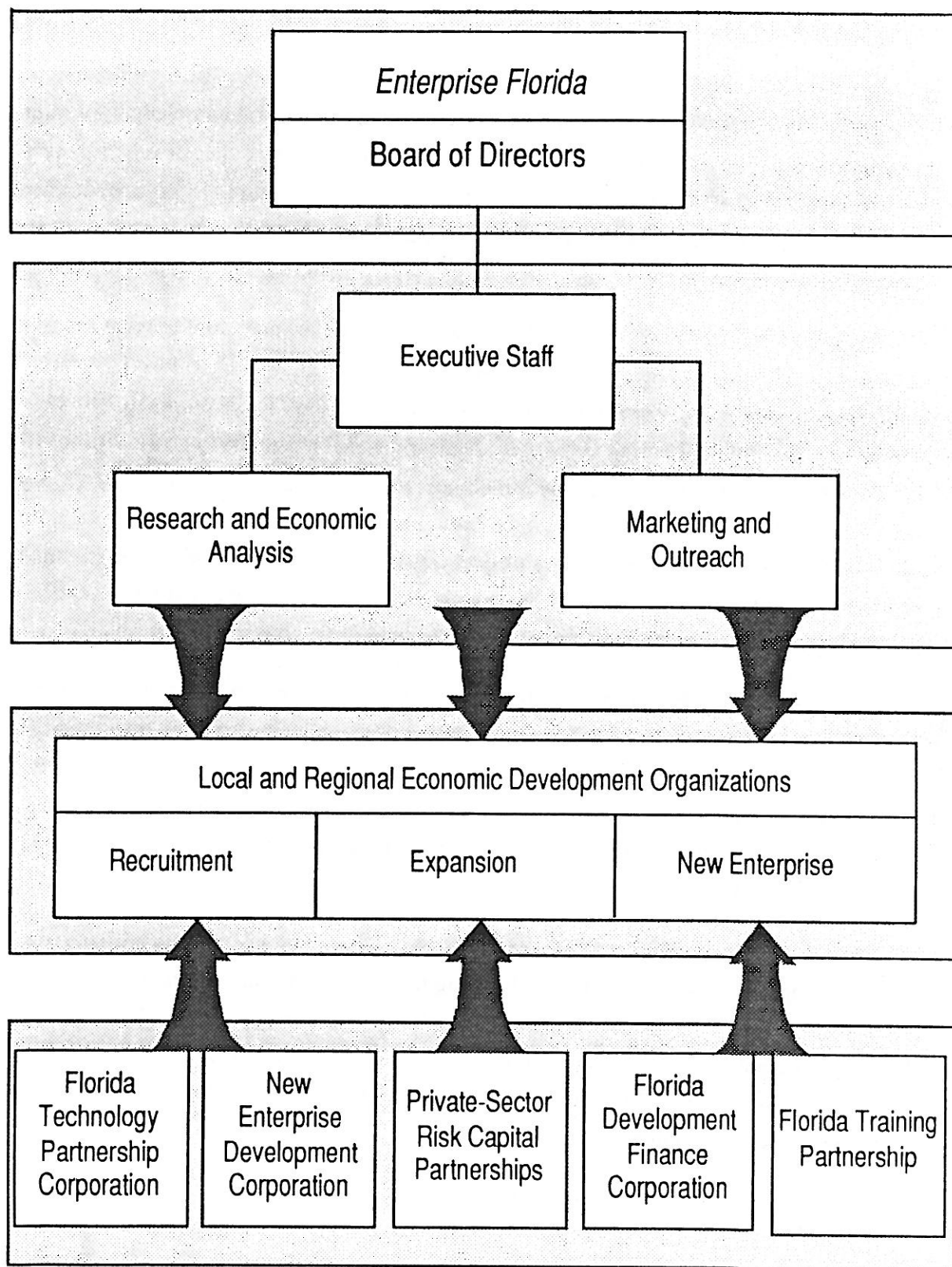


FIGURE 2 MAJOR COMPONENTS OF ENTERPRISE FLORIDA

articulate vision and purpose, formulate policy, and systematically monitor and assess the progress and performance of economic development .

In many ways, the *Enterprise Florida* Board of Directors is the most significant change from the current organizational approach to economic development. Today, no central authority represents both the public sector's and the private sector's interests in economic development. Nor is there a central authority to represent the diverse regions of the state in high-level discussions about the state's economic future. Finally, no central authority currently serves as a catalyst and coordinator for enhancing the overall public-private economic development system in the state.

Instead, Florida has a structure similar to what most states have (and to what many states are rethinking), a statewide Department of Commerce in the executive branch of government and an array of other public and private organizations having "economic development" in their mission statement. The problem is fragmentation. A disconnected approach to economic development cannot help but result in uncoordinated, inchoate, and wasteful use of resources. Different organizations have widely differing views about economic development. Some seek new jobs—any jobs—for unemployed or underemployed residents. Others seek industrial expansion, perhaps more intent on filling industrial parks or housing tracts than on creating jobs. Still others seek economic diversity through strategic and targeted industrial recruiting.

Taken separately, these strategies for economic development may make good sense. But what do they add up to? What kind of economy will result? One strategy may mean that more people move to Florida. Another may mean that low-wage, dead-end jobs are created. The result could be more jobs and more people, but with a more vulnerable economic base unless there is cluster growth and development through synergy between kindred firms, such as buyer-supplier relationships.

Today's leaders recognize that Florida needs a new vision of its economy—a vision not just of more people or industrial parks and housing tracts but of a higher standard of living for Floridians as measured by more high-quality jobs and the emergence of value-added clusters. They also recognize that the approach to economic development needs to have more dimensions to it—more sophisticated strategies for recruitment of firms, expansion of existing firms, and new enterprise development.

Given these broader economic development goals, and the recognition that economic development is more a process than simply an agency function, it becomes clear that a single Department of Commerce and a growing assortment of largely disconnected organizations is not the best way to organize for statewide economic development. Instead, a broader concept is

needed—an approach that provides vision and high-level leadership to guide the state’s development; an approach that is more inclusive and more oriented to the policy needs of the state; an approach specifically designed to build bridges between public and private groups and between state and local organizations; and, finally, an approach better able to support and coordinate the delivery of critical resources to the local and regional groups who are best positioned to carry out the day-to-day aspects of economic development.

### **Composition of the Board of Directors**

These arguments provide a basis for recommending the composition of the Board of Directors. The Board should be made up of high-level leaders from the public and private sectors, representing value added clusters in the state. It will take the form of a *partnership* of interests dedicated to the economic development of the state. Because it will serve as the state’s central development board, it should be chaired by the Governor, perhaps with the chair delegated to the Lieutenant Governor for routine activity.

To underscore the public–private nature of the Board, it would be appropriate that the Governor seek a co-chair from the private sector. The co-chair should be a business leader of stature who is widely known and respected in the state for his or her vision and deep feelings for the well-being of all Floridians.

Because the new approach to economic development proposed in previous projects like *Cornerstone* argues for more market-driven, customer-focused activity, the majority of the Board should come from the private sector. Also, because the Board must be knowledgeable about the economic conditions and opportunities faced by business leaders and of the processes used by professional economic development staff, the Board’s private-sector component should include both high-level “business volunteers”, the highest-level economic development professionals active in local and regional economic development as well as representatives from minority businesses and rural communities.

Much work will be needed to develop the bylaws of the Board. However, some needs that the bylaws must address can be identified now. One is the need for consistent participation of Board members in all meetings. Delegation of Board responsibility should be strongly discouraged. While support from aides is acceptable on the most routine activities, Board members should be personally involved in the processes of *Enterprise Florida*.

Table 1 shows the recommended composition of the *Enterprise Florida* Board of Directors.

Table 1

COMPOSITION OF *ENTERPRISE FLORIDA*  
BOARD OF DIRECTORS

Members	Total Number	From:	
		Public Sector	Private Sector
<i>Co-Chairpersons</i>			
Governor	1	1	
Senior Business Leader	1		1
<i>Public Members of Board</i>			
Legislative Leaders, including			
Speaker of House, President of Senate	4	4	
Secretary of Commerce	1	1	
Chancellor of University	1	1	
<i>Private Members of Board</i>			
Senior Private-Sector Leaders	11		11
Totals	19	7	12

\* If it is determined that additional board positions are required to represent other agency functions, a clear private-sector majority should be maintained.

#### Method of Appointing Private-Sector Members of the Board

The method for appointing the Co-chair and the private-sector members of the Board must involve a broad-based nominating process, perhaps similar to the Judicial Nominating Committee process used to advance the names of appropriately experienced members of the Florida Bar Association to the Governor for final appointment to the state's judiciary. For *Enterprise Florida*, the Florida Chamber of Commerce should administer the nominating process with input from other business groups, state and local. The Chamber should establish a nominating committee broadly representative of Florida's regions and clusters.

For each private-sector vacancy on the *Enterprise Florida* Board, the nominating committee should identify business leaders who are active in state or local level economic development and who otherwise meet the selection criteria. Once these leaders are identified, information should be assembled on their qualifications and summaries prepared. The nominations should then be forwarded to the Governor, who will make the final appointments.

#### Responsibility of the Board of Directors

The Board's responsibilities should include those typical of a private firm's board of directors. For example, it will be expected to prepare and implement a specific mission statement, a program of work for the organization, a budget, staffing plans, and assessment criteria for overall

program performance and staff performance. More importantly, the Board must be responsible for articulating a vision of Florida's economic future and for guiding the processes needed to achieve that vision.

### **Creating a Strategic Plan for Economic Development**

A key responsibility of the Board will be to commission research from its staff and work with other experts in Florida to develop a *strategic plan* to guide the state's development. In this process, the Board will also be expected to design and implement advanced programs and economic development tools for use by local and regional groups. This process will require continuous and close interaction with the many constituencies of *Enterprise Florida*. In particular, the Board will need to work closely with local and regional economic development organizations. These groups, closest to the needs and opportunities for economic development activity, are in the best position to define their needs and put to work the programs and "tools" provided from the state-level economic development organizations. With this kind of engagement and interaction—in a sense, a "sharing of minds"—state-level officials and local officials will determine with the Board the best programs and approaches for regional economic development. In this regard, the Board will need to ensure that strategies for cluster-based economic development recognize the opportunities and needs of both urban and rural areas. Pursuing needed policy changes and seeking state-level resources through the legislative process will be another key responsibility of the Board. It is anticipated that with the kind of compelling logic and high-level influence that can come from such a group, needed programs like specific incentives (e.g., training grants and strategic infrastructure enhancements) can be identified and their funding pursued through legislative action.

### **Assessing Performance of the Economic Development System**

Another important responsibility of the Board will be to assess regularly the performance of the state's overall economic development system. Increasingly, the public and officials alike are seeking more accountability for public expenditures. Although measuring progress toward economic development is not easy, neither is it impossible. Oregon, for example, is taking the lead among states with advanced approaches to economic development in its approach to defining measurable objectives and assessing performance. Working with staff, the Board of *Enterprise Florida* should develop a practical assessment system to enable progress to be assessed and new directions to be charted for programs and approaches if they fail to measure up to expectations.

## **Legal Form of *Enterprise Florida***

*Enterprise Florida* should be a nonprofit organization, formed and chartered under the appropriate laws of the state. Although nonprofit itself, the Board of *Enterprise Florida* may have members on boards of directors of for-profit subsidiaries. For example, independent operating units designed to raise and invest capital in enterprises—from which a return on that investment is expected—could be set up. Some specific examples of such operating units are discussed later in this section. While *Enterprise Florida* should be structured to be an independent entity, it should have representation from the executive and legislative branches.

## **Accountability**

A critical factor in the success of *Enterprise Florida* as a public-private partnership is accountability based on performance measures. The *Enterprise Florida* Board will establish benchmarks for performance based on its strategic plan and create systems for measuring accountability in terms of both outcomes and finance. Public trust and integrity will depend on regular reporting of how funds are expended in pursuing the Board's strategic plan. Annual reports will be issued to provide the public and the legislature with a full accounting of accomplishments and an audit of spending. Routine press briefings, open meetings will ensure that the work of *Enterprise Florida* is accessible to the public. Ensuring accountability in the use of public funds by a nonprofit partnership will be critical to long-term success of *Enterprise Florida*. Accountability based on performance established by the *Enterprise Florida* Board will provide more assurance of effective use of funds than the current fragmented system.

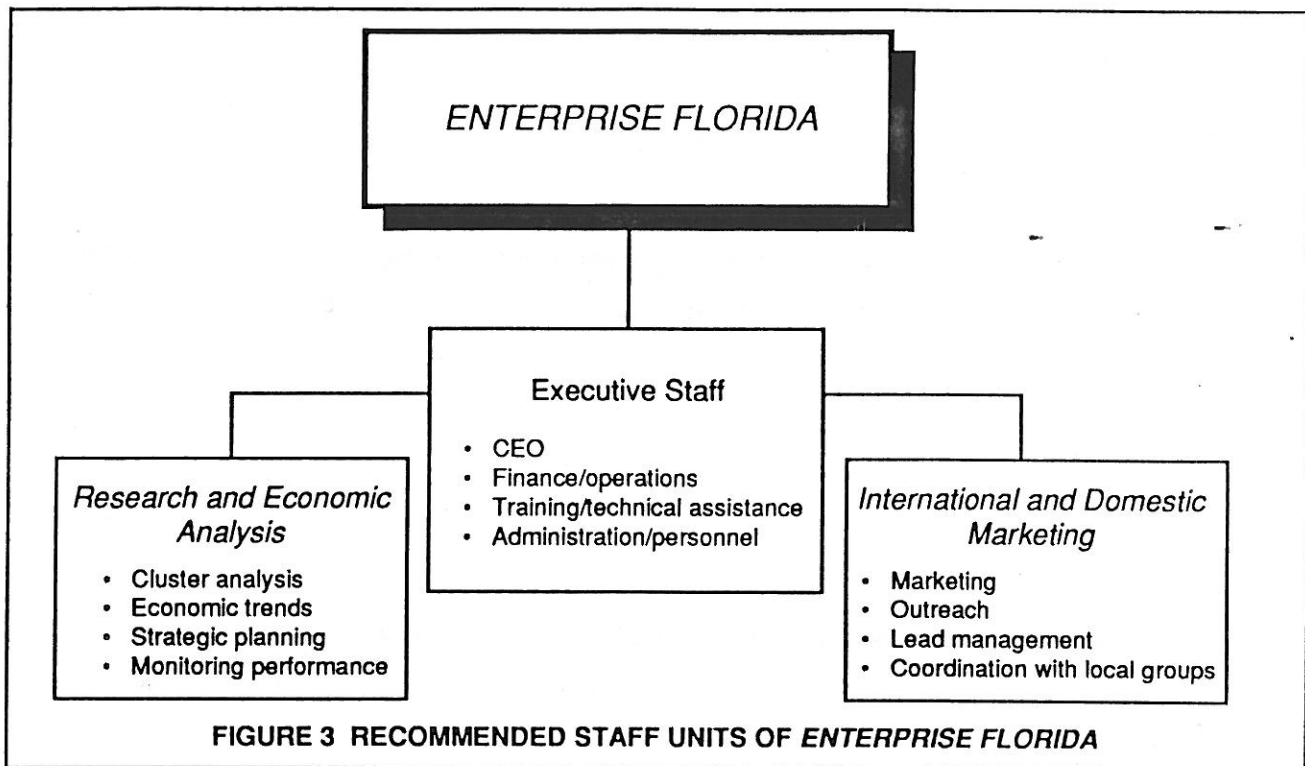
## **Staff Units**

The second major component of the *Enterprise Florida* concept is the central staff function. Figure 3 outlines three recommended staff units of *Enterprise Florida* and describes their duties.

### **Executive Staff**

*Enterprise Florida* should have a small, independent, and highly experienced executive staff. A highly qualified President or Chief Executive Officer, reporting to the Board of Directors, should oversee a staff that includes senior-level experts in finance/operations, training/technical assistance, and administration/personnel.





In addition to typical executive staff duties (e.g., implementing policy, managing processes, and reporting progress), the executive staff should play a major role in training and providing technical assistance to local groups. In particular, the central staff should develop and implement programs to train staff of local groups in contemporary approaches to economic development (e.g., concepts of dynamic competitive advantage, economic clusters, and economic foundations). Central staff should also consider developing certification programs to help ensure that state-level resources provided to local and regional groups meet minimum standards of competency. Where no local groups exist or where they are found wanting, staff at this level should provide technical assistance to regions needing help with forming appropriately qualified organizations to carry out regional economic development.

### **Research and Economic Analysis Staff**

The second operating staff unit recommended for *Enterprise Florida* is the Research and Economic Analysis unit. This group of economists and planners will be responsible for preparing analyses of economic trends and of the current status of the state's economy region by region, cluster by cluster. A specific requirement of this unit will be the development of definitions and databases on economic clusters in Florida. This task may require new data sets to be developed and certainly will require that new approaches to economic analysis be implemented. This unit should also be responsible for developing tools such as input/output models to help local leaders understand the economic impact of new firms and new industries in their area.

To be responsive to one of its main constituencies, this unit will need to establish close ties with local organizations who need data and analysis on their regions. This means that outreach mechanisms, such as representative advisory committees, quarterly data briefings, newsletters, and so forth, must be implemented.

The unit will also be responsible for designing and carrying out the monitoring and assessment function, thus measuring progress toward defined economic development goals. In this role, the unit will be responsive to the needs of the Board of Directors as well as to key committees of the legislature, both of whom have an interest in learning which programs work and which do not.

Finally, this unit will be responsible for developing and keeping up-to-date a statewide strategic plan for the state's economic development.

It is likely that the existing economic analysis staff of the Department of Commerce can be moved into this similar but broader role in *Enterprise Florida*. There are two areas where additional staff capacity may be necessary: implementing the assessment function and implementing the strategic planning function.

### **International and Domestic Marketing Staff**

The third key staff unit of *Enterprise Florida* will be responsible for marketing all regions of the state. This function includes the typical economic development marketing functions (e.g., advertising, mailings, trade shows, and prospect calls and visits), as well as overseeing specialized marketing, such as for sports and film promotion. Although specialized units like these often have their own commissions, *Enterprise Florida* must be able to coordinate activities across all economic development marketing units to ensure consistency of marketing themes and to prevent embarrassing conflicts (e.g., when a single prospect is called on by different marketing groups having different messages).

In developing marketing strategies, this unit of *Enterprise Florida* must work diligently to ensure that the interests of all regions of Florida are woven into the state's marketing program. Today, there is a strong feeling that "leads" developed by the Department of Commerce are not shared equally across the state. Rural areas, in particular, feel that urban areas get first access to leads or are otherwise given special treatment. Achieving equity in the provision of leads and, more importantly, ensuring that prospects are alerted to *all* regions that can meet their needs should be the highest priority of this unit.



More sophisticated economic profiles of the state's regions and advanced cross-referencing programs linking prospects to places may be necessary. New communication and follow-up procedures may also be needed to ensure that all areas receive—and *perceive* that they receive—fair access to leads developed at the state level.

This unit should have responsibility for both domestic and international marketing by establishing a constructive relationship with the newly established Florida International Affairs Commission (FIAC). Although it is often argued that international marketing is qualitatively different from domestic marketing, from a strategic perspective there is little difference. Acknowledging language differences and distances, the basic approaches are the same. Of course, specialized expertise is needed in all the areas of marketing, but such expertise must be closely coordinated. Thus, it is recommended that FIAC be structured to have an appropriate and constructive relationship with *Enterprise Florida*. In fact, the possibility that FIAC could become an affiliate should be explored. Coordination of all statewide marketing is critical if consistency and efficiency are to be achieved. Marketing by independent units invites many problems, not the least of which is unnecessary expense, and should be avoided.

The staff of this unit could consist mostly of the existing marketing units in the Department of Commerce.

### **Funding of *Enterprise Florida***

Funding could be developed as part of a two-stage process:

- *Start-up stage.* The *Enterprise Florida* Board could be established in the first year as a partnership between state government and the private sector. Funds appropriated by the legislature could be combined with contributions by the private sector for implementing a strategic plan for economic development. The range of total funding for initial start-up could be \$800,000 to \$1 million.
- *Development stage.* *Enterprise Florida* would be developed as a full organization over a 3-year period with the inclusion of current Department of Commerce functions for research and marketing. Additional supporting organizations could be developed during this period. A variety of state, private, federal, and nonprofit resources would be leveraged in developing the total organization.

Under this two-stage process, initial first year funding considerations could be limited to supporting the Board and its development of a strategic plan to guide future development.

It is important to note that the efforts of, and funding of *Enterprise Florida* not be viewed as simply duplicative of current Department of Commerce activities. In fact, *Enterprise Florida* will add to the current efforts of the Department. Finally, funding should follow the principles

guiding the overall design of *Enterprise Florida*. These include creating public-private partnerships that leverage resources.

### **Local and Regional Economic Development Organizations**

The third overall component of the *Enterprise Florida* concept is made up of the local and regional economic development agencies in the state including private organizations such as public utilities active in economic development. In the economic development process, when it comes to achieving day-to-day progress toward a state's economic development, there is no substitute for local knowledge, local responsiveness, and local initiative. Therefore, central to the *Enterprise Florida* concept is the notion that policy and coordination should be lodged at the state level while program implementation should be lodged at the local level.

Local economic development groups (e.g., privately operated economic development foundations, corporations, or chambers of commerce) or public entities (e.g., city or county economic development offices) must be given the resources and the tools to take direct action to achieve their mission. However, if left uncoordinated, a growing number of local organizations will eventually duplicate efforts and waste limited resources. Without coordination and overall direction in economic development, different groups may also pull in different directions, with win-lose outcomes or, at worst, lose-lose outcomes when development opportunities are missed or driven out.

### **Role in Service Delivery and Benefits to Local Organizations**

In this context, it is strongly recommended that the *Enterprise Florida* concept be broad and inclusive (e.g., in Board composition, "vision," policy, and specialized staff activities), but that actual program delivery and day-to-day activity be left to new and existing local groups. This means that each region of the state needs to have an appropriately qualified economic development organization, that direct linkages must be in place between state-level activity and local activity, and that appropriate resources must be provided from the state level to the local level. It means that strong incentives be put in place to reward cooperative action at the local area that is consistent with *Enterprise Florida's* goals and principles. It also means that needs and opportunities seen at the local level must be communicated up to the state for action in the form of policy consideration and program support. Thus, *Enterprise Florida* will be driven by local needs, conditioned by resource availability and the need to coordinate at the Board level in order to get the state's complex economic development system moving in the same direction.

Local and regional economic development groups will be represented in *Enterprise Florida* by virtue of their direct participation on the Board of Directors and by their participation in selecting the co-chair of the Board. They should also be actively involved at the highest level by participation in *ad hoc* task forces and advisory council, e.g., FIAC, Sports Foundation, Tourism Commission, and on the boards of directors of subsidiaries of *Enterprise Florida*.

Specifically, the local role will include formulation and development of local economic development strategies as well as planning and implementation of local attraction, retention/expansion, and new enterprise formation tactics. Because the state's local economic development organizations will have new access to cluster-based economic analysis (e.g., cluster profiles, trends, requirements for success), more strategic leads from the state-level marketing activities (e.g., targeted opportunities consistent with competitive advantages of the area), and new resources (e.g., job training, financing "tools" available through *Enterprise Florida* subsidiaries), it is expected that local strategies and tactics will be based, in large part, on the statewide vision and strategies set out and supported by *Enterprise Florida*.

### **Capacity Building for Local Organizations**

All areas of Florida, nonmetro as well as metro, should benefit from Enterprise Florida. No area should be without a local economic development group. Thus, it will be imperative that all means be used to raise local funding, acquire local staff, or work out arrangements to participate in the local activities of groups in the larger region. The *Enterprise Florida* Board and executive staff should become actively involved in issues of funding and capacity building in local areas primarily by exception, working with areas that simply lack the wherewithal to achieve local economic development capacity. In addition, affiliate organizations (such as the New Enterprise Development Corporation) should provide capacity building assistance.

### **New Measures of Success**

A new definition of an effective local economic development organization should emerge from the implementation of *Enterprise Florida*. In the past, local economic development organizations focused their efforts primarily on marketing to and recruitment of industry. The primary measure of success was relocation of firms, with the associated employment. Under *Enterprise Florida*, the definition of success would broaden as local economic development organizations began to mirror a statewide strategic vision of attracting, growing, and retaining value-added clusters through strong economic foundations. Thus, local economic development organizations would focus on attraction, retention, and new enterprise development within clusters. They

would engage in networking and outreach functions to ensure that firms within these clusters have access to the critical economic foundations of capital, training, and technology.

Under this new definition, the traditional function of attraction and the newer functions of new enterprise development and retention would be connected. Measures of success would be new business start-ups (and improved survival rates), expansions of both large and small business as well as relocations. Success would also be measured in higher job quality (rising real wages) as well as new job creation (the Government by the People Commission is currently developing some benchmarks for judging economic progress that could be a useful starting point).

## **Affiliate Organizations**

*Enterprise Florida* must serve not only as a catalyst and broker, but also as an umbrella organization and a coordinator of specialized units running state-level programs that are at the core of a "complete" state economic development program. These units, the fourth component of *Enterprise Florida*, would conduct activities, such as long-term development financing or employment training, that need to operate at the state level. But they should not simply be staff functions of the Board of Directors because they will prove to be very specialized, they may need their own board of directors as separate not-for-profits, or they may need to be run as public-serving, for-profit companies. Based on research both in Florida and in other states, five kinds of affiliates are suggested, corresponding to critical economic foundations for economic development. The basic elements of five affiliate organizations are outlined below.

### **Florida Technology Partnership Corporation**

- *Organization*
  - Nonprofit corporation with statewide board.
  - Board membership overlaps with *Enterprise Florida*, regional organizations, universities, and technology-based industry associations.
  - Assumes responsibilities of Florida High Technology and Industry Council.
  - For-profit corporation(s) for commercialization of technology.
- *Functions*
  - Develops a strategic plan for technology development statewide.
  - Creates a research excellence program.
  - Establishes a technology commercialization program.
  - Develops a technology deployment program.
  - Acts as a broker between universities and industry on technology issues.
- *Funding*
  - Core operating and incentive funds allocated from *Enterprise Florida* under contract.

- University resources
- Funds leveraged from federal, public, and private resources.

## **New Enterprise Development Corporation**

- *Organization*
  - Nonprofit corporation with statewide public-private board.
  - Board membership overlaps with *Enterprise Florida* and local enterprise organizations.
  - Assumes responsibilities of Bureau of Business Assistance.
- *Functions*
  - Gathers and disseminates information on Florida's clusters, needs, opportunities, and supplier networks.
  - Provides technical assistance and plays a brokering role:
    - Provides incentive matching funds for regional new enterprise strategies, models, information, and advocacy.
    - Stimulates incubators, innovation centers, and manufacturing networks.
    - Assistance with grant writing.
- *Funding*
  - Core operating and incentive funds allocated by *Enterprise Florida* under contract.
  - Provide central vehicle for administering road fund, rural tourism promotion grants, and other sources (i.e., federal grants).

## **Private-Sector Risk Capital Partnerships**

- *Organization*
  - One or more nonprofit or for-profit corporations across the state.
  - Board membership overlaps with *Enterprise Florida* and local economic development organizations.
  - Assume responsibilities of Seed Capital Board.
- *Functions*
  - Focus on leveraging private funds for mezzanine capital.
  - Provide both equity and debt capital raised from local investors.
  - Provide expansion funds for local entrepreneurs.
  - Incentive financing programs in emerging clusters such as film.
- *Funding*
  - Core and incentive funds allocated by *Enterprise Florida*.
  - Leveraged funding pool from private sector.

### **Florida Development Finance Corporation**

- *Organization*
  - Nonprofit corporation with statewide board.
  - Board membership overlaps with *Enterprise Florida* and local financing organizations.
- *Functions*
  - Provides long-term financing using taxable and tax-exempt bonds.
  - Provides a bond packaging function.
  - Links to housing and infrastructure financing.
- *Funding*
  - Core funding allocated by *Enterprise Florida* under contract.
  - Leverage fund for existing board authority.

### **Florida Training Partnership**

- *Organization*
  - Nonprofit corporation with statewide board.
  - Board membership overlaps with *Enterprise Florida* and regional organizations.
  - Assumes responsibilities of Industry Services Training Program and Sunshine Skills Corporation.
- *Functions*
  - Creates a strategic plan linking economic development/industry cluster needs with vocational education and community college training.
  - Provides matching grants to develop partnerships between education/training and employers.
  - Provides loans and grants for employee skills upgrading.
  - Funds customized training for new and expanding firms.
- *Funding*
  - Core and incentive funding allocated by *Enterprise Florida* under contract.
  - Leverage fund from existing training programs.

Each of these affiliate organizations would be developed by the *Enterprise Florida* Board as a result of its strategic planning process during its initial year of operation. The details of these organizations thus would be developed as *Enterprise Florida* is implemented by its public and private leadership.

Each of these organizations would be designed to provide statewide support for the critical economic foundations for competitiveness, serving the needs of Florida's clusters and the local economic development organizations that serve those clusters. The affiliate organizations would be customer focused and market driven through the use of matching grants and public-private boards that would guide the organizations toward meeting cluster needs within regions.



These organizations would be created by combining existing resources and programs where possible. Thus, existing technology programs at the state and university levels would be combined in the Technology Partnership. Likewise, the Training Partnership would act to leverage the existing resources within the vocational education and community college systems toward industry training needs.

### **Implementation Strategy**

Implementing *Enterprise Florida* will require that the public-private partnership that has started with this Task Force continue and that a number of major steps be taken over several years. Although many of the elements required for success already exist within current organizations, an implementation plan is required to bring those elements together under the *Enterprise Florida* concept. A 3-year plan is recommended (see Figure 4).

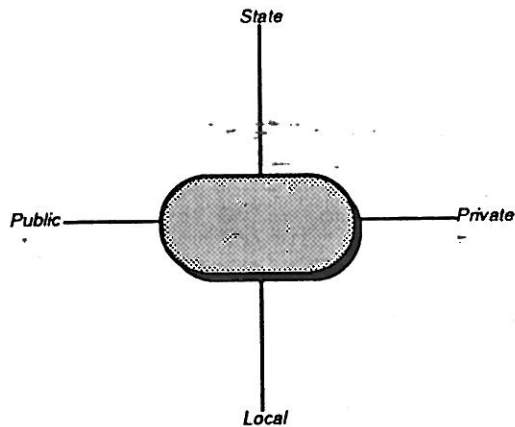
In addition to an overall implementation plan, a detailed operational plan should be produced by early staff members of *Enterprise Florida*.

**Year 1**—In the first year, the key steps focus on enacting enabling legislation and the formation of the *Enterprise Florida* Board. The legislation should provide the Board with the authority to design and implement staff and affiliate organizations. The Board would need to hire its start-up staff. Initial funding would be required for the development of a strategic plan, an operational plan, and initial implementation efforts. Affiliate organizations would be designed, and key units of the Department of Commerce (e.g., research, marketing) could be transferred under the *Enterprise Florida* Board. Other transfers would be made over time as the affiliate organizations were implemented.

**Year 2**—During the second year, the focus would be on building up the marketing and research efforts, completing the strategic planning process, and establishing the affiliate organizations. The Board would focus on networking with existing economic development organizations and securing a permanent funding base. Building strong links to economic clusters would be a major priority. Individual affiliate organizations would be launched. Specific functions within the Department of Commerce such as economic analysis, international and domestic marketing, and business assistance would migrate to *Enterprise Florida*.

**Year 3**—During the third year, a fully developed *Enterprise Florida* would emerge. It would have a statewide public-private Board with the resources required to provide leadership and direction to economic development in Florida. The research and marketing units would be fully developed, and a strategic plan would be in place. A full range of affiliate organizations would be functioning. The full functions of the Department of Commerce would be incorporated into *Enterprise Florida*. Florida would be a national leader in economic development.

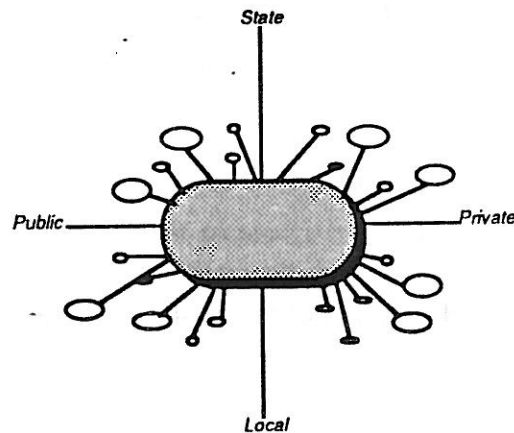
### Year 1: Start-up Activities



#### Accomplishments:

- Enabling Legislation
- Form *Enterprise Florida*
- Start Funding
- Hire Key Start Staff
- Initiate Strategic Planning
- Establish Implementation Milestones

### Year 2: Networking and Development



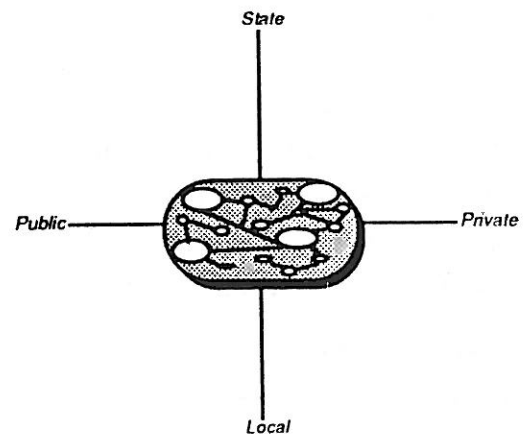
#### Accomplishments:

- Accelerate Statewide Networking
- Build Up Marketing/Research Staff
- Advance Cluster-Based Strategic Planning Processes
- Secure Permanent Funding Base
- Establish Affiliate Organizations

### Year 3: Full Operations

#### Accomplishments:

- Achieve Integration of *Enterprise Florida*
- Leadership
- Vision
- Direction
- Leverage



**FIGURE 4 ENTERPRISE FLORIDA IMPLEMENTATION PLAN**