

CENTER FOR REGIONAL COMPETITIVENESS



New Elements in a RiverLands Business Services Strategy

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Meeting Overview

Regional business and economic development leaders gathered on May 28 to review the state of the business services sector in RiverLands and explore ways to seize new opportunities. Interest in this whole industry has been piqued by the recent IBM announcement to bring 1,300 jobs to Dubuque. This major announcement appears to have secured for RiverLands a significant foothold in the business services arena. To date, the announcement and its after-effects have concentrated most of the attention on Dubuque, where the IBM jobs will locate. However, leaders readily acknowledge that going beyond this good starting point will require support from across the region in order to succeed.

Because producer services have only recently emerged as a significant opportunity, a comprehensive regional strategy does not yet exist. However, in acknowledging the new opportunity and the need for new collaboration, regional leaders point to two key elements for future success. The first is that IBM is probably the exception; the region cannot bank on recruiting its way to a vibrant producer services industry. Second, because producer services is such a broad economic category, creating focus will be critical, possibly through a new effort to build a RiverLands service cluster.

Strategic Assets

The RiverLands has had an underrepresented share of employment in business services, but in recent years it has outperformed the wider tri-state region in **growing business services jobs**. The recent IBM announcement is a significant milestone on RiverLands' path to building a stronger business services industry.

Part of what attracted IBM is the concentration of **educational institutions** in Dubuque and the surrounding area. This is paired with many significant quality-of-life factors and housing costs well below the national average. The educational institutions provide a ready supply of high-quality workers. This represents a major asset for the region on which to build. Key in this discussion is making sure that workforce development is properly aligned with the region's strategic opportunities.



Several meeting participants mentioned that the region is business-friendly, with effective **public-private partnerships**, especially as embodied by the strong chambers and economic development corporations. Also, the region boasts several major players in the business services arena. While the largest of these are about one third to one half as big as the new IBM center—together they are very important to the local economy.

Additionally, many of these players **specialize in computer related fields** such as data processing, computer systems design, computer programming. This means they likely have similar needs and goals that would allow them to benefit from working together. So far, however, despite the positive environment for partnership and a critical mass of businesses services companies within the region, there have been no attempts to formalize a business services cluster strategy.

Business Services Strategic Options

Business services are a fairly recent addition to RiverLands economic landscape. Thus, it is not surprising that there is no comprehensive strategy for developing this opportunity. That said, leaders agree that moving in this direction is vital, especially given the need to coordinate activities among businesses and the region's many higher education institutions.

1. Refine the focus

Given its location, quality of life, and educational institutions, RiverLands appears to have many opportunities in business services. However, participants appear to have many different working understandings of "business services." To be successful in expanding this industry, therefore, it will be essential to align the diverse interests around a common framework. A critical first step in a business services strategy will be narrow the RiverLands focus to business services segments in which RiverLands has the best competitive edge. There was no agreement among participants on this list of segments. However, one suggestion that gained some support was to view IT as the common thread that unites the various interests in the business services cluster.

2. Business and education partnerships

While RiverLands has a strong constellation of educational institutions, participants believe the region is not capturing all the potential synergies between education and business. What is needed is a mechanism both to formalize and to sustain active partnership between business service companies and the region's educational institutions. There appears to be no clear model for such a mechanism, so it will be important to explore a range of models from around the country, with special focus on ones well-suited to the economic landscape of RiverLands. In addition, to the extent that IT becomes a unifying thread in the region's business service strategy, it will be essential to encourage further investment in such capacity in the region's higher education institutions.

3. Grow business services through a concerted focus on building a service cluster

Participants readily acknowledged that the region's approach to developing business services today is mainly recruitment. Notwithstanding the IBM success, leaders further agreed that more emphasis on growing service companies within the region will be crucial to sustaining future growth in the service sector. A cluster strategy would create an organization that could capture and expand synergies across firms, solve common problems in the sector, and help new and existing firms reach new markets. The cluster approach is a proven way of growing an industry within a region. Walla Walla, Washington used just this approach to develop its highly successful wine industry from a mere handful of vintners at the start. Models for cluster development in business services are very scarce, but RiverLands may have an opportunity to be a national leader on this frontier.