

Rural Clusters of Innovation: Berkshires Strategy Project

DRIVING A LONG-TERM ECONOMIC STRATEGY

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United States Department of Commerce
Berkshire Economic Development Corporation
Monitor Company Group, LLP



Rural Clusters of Innovation:
BERKSHIRES STRATEGY PROJECT

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LETTER OF INTRODUCTION

The Berkshires are on an upswing. The region emerged from two difficult decades, which began in the 1980s with the downsizing of important companies such as Sprague Electric and General Electric. Today, however, unemployment is low and wages are rising. The Berkshires offer a unique quality of life—a setting rich in both natural beauty and cultural attractions—and this has encouraged skilled workers and managers from established manufacturing companies to stay, and has also attracted outside visitors, some of whom return to build careers and companies in the County. The result is a diverse economy, marked not only by a resurgence in hospitality and tourism, but also continued success of small and mid-sized firms in traditional economic sectors such as forest products, defense technologies, plastics, financial services and healthcare to name just a few.

To maintain this recent progress we must work hard to build the kind of business environment that will enable our local companies to compete and attract outside companies and entrepreneurs to the region. Despite our recent success, we still face several daunting challenges including a shrinking population, a growing need for workers with even more specialized skills, and strong global competition. These challenges can be met, but it will take leadership, vision, and effort by individuals and organizations across the County.

The *Berkshires Strategy Project*, a six month strategy development effort involving dozens of private and public sector organizations in the Berkshires, has led to broad consensus behind an economic strategy for the County, and galvanized a leadership group in the form of the Berkshire Economic Development Corporation Board. We are very pleased to present the research, findings, and recommendations of the *Project* resulting in this strategy, and are eager to move forward with the work of implementing this strategy. With the ongoing collaboration among companies, educational institutions, government, and economic development organizations, we are confident Berkshire County will maintain and build upon our recent economic success, and create a more prosperous future for the citizens of the Berkshires.



J. Williar Dunlaevy
Steering Committee Chairman

ACKNOWLEDGMENTS

The *Berkshires Strategy Project* was a public-private collaborative effort involving a wide range of individuals and organizations.

The Economic Development Administration at the US Department of Commerce conceived of the *Rural Clusters of Innovation Initiative*, of which the *Berkshires Strategy Project* was a part. Deputy Secretary of Commerce David A. Sampson, Assistant Secretary for Economic Development Sandy K. Baruah, Senior Policy Advisors Jim Yeager and Robert Bogart were instrumental in launching the project. William Kittredge, Frank Monteferrante, Sunni Massey, and Kent Lim were very helpful with logistics and accessing data.

In the Berkshires, the Berkshires Economic Development Corporation (BEDC) took the lead in organizing the community to participate in the *Project*. BEDC President Tyler Fairbank spearheaded the effort, managed the day-to-day planning, and provided important regional expertise and project guidance. Michael Supranowicz supplied expertise and data about the region, and was extremely helpful commenting on research and analysis. Beth Larrow was indispensable in managing logistics for the numerous meetings and interviews over the course of the *Project*.

Guidance for the Project was provided by a Steering Committee chaired by J. Williar Dunlaevy, CEO of Legacy Banks. Committee Co-Chairs were: Eugene A. Dellea, of Fairview Hospital and Hillcrest Campus of BMC; John B. DeRosa, of Freedman, DeRosa & Rondeau LLP; and Richard H. Vinette, Jr. of Lee Community Development Corporation. Members of the Steering Committee are listed below. These individuals provided substantive input on research and analysis, facilitated interviews and surveys, and shaped the findings and recommendations of the *Project*.

The John Adams Innovation Institute provided generous support to the *Project*, and the Institute team—including Director Patrick Larkin, Program Director Bill Ennen—was very helpful providing support and contacts in the Berkshires.

The Berkshire Business Roundtable, City of North Adams, Jobs for Pittsfield Initiative, Lee Community Development Corporation, Pittsfield Economic Revitalization Corporation, Town of Adams, Town of Dalton, and Town of Lee provided invaluable financial support.

The Monitor Group conducted the research and analysis, integrated quantitative and qualitative data, and developed the findings and recommendations. Jeff Grogan and Kurt Dassel served as the overall project directors for the Monitor Group team. Sunia Ho managed the project. Charles Howe, Vanessa Green, and Gabriela Kipnis provided analyses and conducted interviews of business leaders in the state.

Michel E. Porter, the William Bishop Lawrence University professor at Harvard University, served as senior advisor to the *Project*.

The Cluster Mapping Project at the Institute for Strategy and Competitiveness at Harvard Business School, provided economic performance and cluster composition data.

Lily Robles, Julia Frenkle and Alyson Lee at the DesignStudio at Monitor Group created, designed, and illustrated the layout of this report.

Nearly 200 business, academia, government and economic development leaders contributed to this project by providing background information, participating in interviews, completing online surveys, and offering their views on the Berkshires economy. While this report aims to reflect the consensus of those interviewed and surveyed, it cannot do justice to all of the contributions. Any errors, omissions, and inconsistencies are the responsibility of the report writers and not any one individual or institution.

MEMBERSHIP OF THE BERKSHIRES STRATEGY PROJECT STEERING COMMITTEE

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Berkshires Strategy Project Steering Committee Co-Chair:

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John B. DeRosa Freedman, DeRosa & Rondeau LLP
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Mayor John Barrett III City of North Adams
Al Bashevkin Northern Berkshire Community Coalition
Ethan J. Berg Lenox Athenaeum at Ethelwynde
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John A. Barmack, Marland Mold, Inc.

Mayor John Barrett III, City of North Adams

Al Bashevkin, Northern Berkshire
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James Beauregard, Plastics Technology
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Bruce Finn, The Red Lion Inn

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Mark West, Mark West Company

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EXECUTIVE SUMMARY

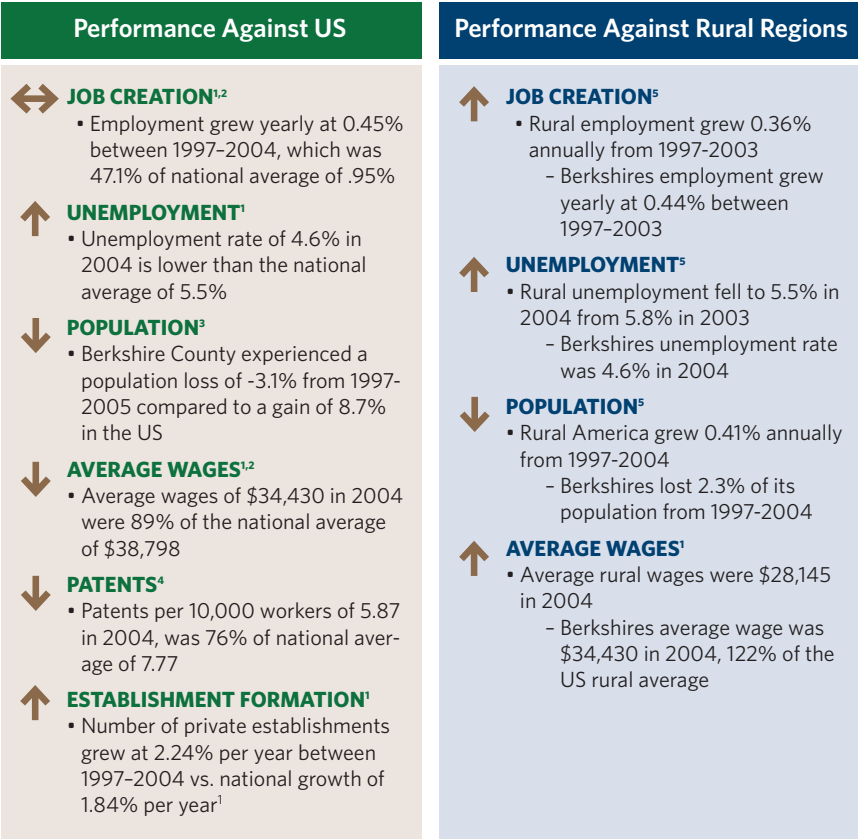
Economic Performance and Innovation Output

For much of its past, Berkshire County has been the headquarters of large manufacturing firms such as Sprague Electric, GE Plastics and General Dynamics Advanced Information Systems. Increased global competition in the 1980s, however, led to a significant reduction in the size of the Berkshires-based employment at these firms. Today, the economy is recovering from these job losses, and developing more service-oriented sectors of its economy.

Against the context of this economic transition, Berkshire County has demonstrated stronger performance in employment and establishment formation metrics but the region has trailed the national index in metrics of prosperity and innovation (see Exhibit 1):

- Employment in Berkshire county grew .45% per year from 1997 through 2003; lower than the U.S. rate of .95% per year, but higher than the rural rate of .36% per year
- Berkshire County unemployment rate of 4.6% in 2004 was lower than both the national and rural averages of 5.5%
- Average wages of \$34,430 in 2004, were 22% higher than the rural average of \$28,145, but only 89% of the national average of \$38,798
- Patents per 10,000 workers in Berkshire County were 5.9 in 2004, only 76% of national average of 7.77

Exhibit 1: Economic Performance and Innovation Output Metrics

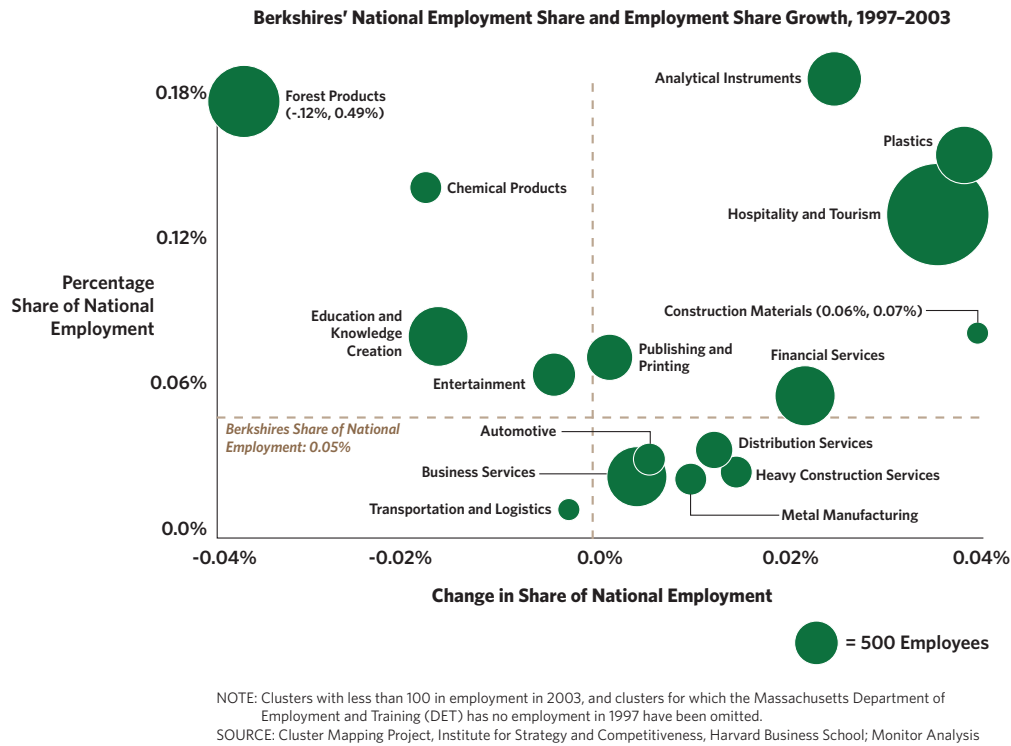


SOURCE: (1) Bureau of Labor Statistics; (2) US Department of Commerce: Bureau of Economic Analysis; (3) US Census; (4) US Patent and Trademark Office; (5) Department of Agriculture

Economic Composition of the Berkshire County Economy

The economic performance of Berkshire County derives, in part, from its economic composition. As illustrated in Exhibit 2, Berkshire County has a relatively healthy portfolio of traded **clusters**, or geographically proximate groups of interconnected companies and associated institutions in a particular field. Clusters in the upper right quadrant such as Plastics, Analytical Instruments, Hospitality & Tourism and Financial Services have the strongest competitive position in Berkshire County.

Exhibit 2: Berkshire County's Economic Portfolio



The competitive strength and size of these traded clusters affect a region's overall economic performance, and in particular, its wage levels. Despite the dramatic downsizing in firms like GE and Sprague in the 1980s, and despite the growth of service oriented clusters like tourism, manufacturing remains a driver of prosperity in the region. About 70% of the positive impact on wages can be attributed to four manufacturing-heavy clusters: Analytical Instruments, Forest Products, Chemicals, and Plastics (see Exhibit 11 in report).

Assessment of the Business Environment in Berkshire County

The competitiveness of Berkshire-based businesses is directly linked to the strength of the local business environment. Factor conditions, related and supporting industries, demand conditions and context for firm strategy and rivalry all play integral roles in the competitiveness of a business environment.

Exhibit 3 reports survey data used to assess the quality of a region’s business environment. Results comparing the Berkshires to the US average indicate the region outperforms the US in 11 surveyed areas including:

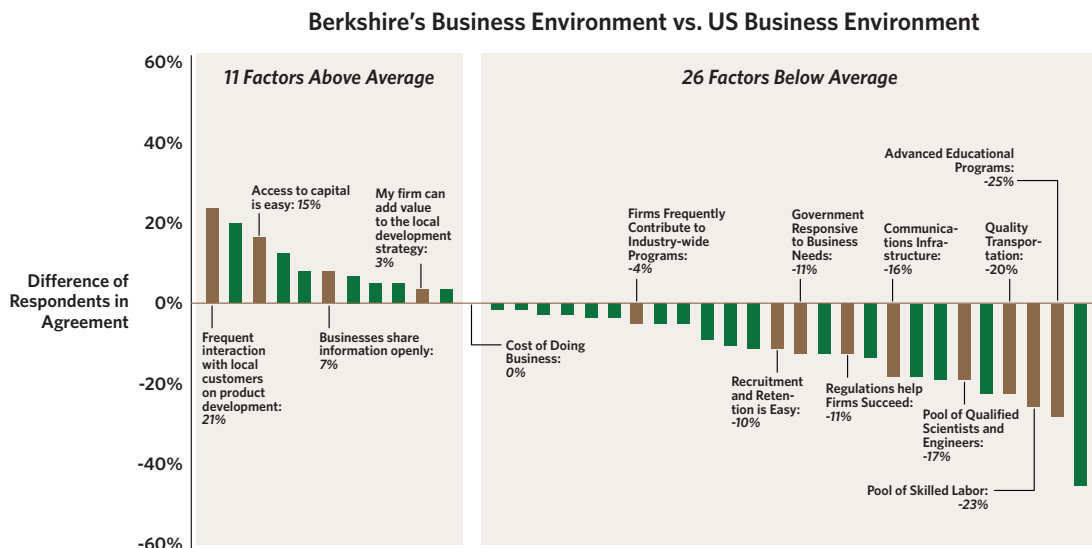
- Access to risk capital;
- Quality of local educational systems;
- Community involvement of local firms;

However, the region underperforms the US in 26 surveyed areas including:

- Workforce availability, recruitment and retention;
- Government responsiveness to business needs;
- Specialized research facilities and research knowledge transfer;
- Adequate communications and transportation infrastructure.

These areas must be addressed by the strategy for the Berkshires to build the kind of business environment that will help make local firms more competitive.

Exhibit 3: Berkshire Business Environment vs. US Business Environment



NOTE: Chart compares all United States respondents (n=2273) to all Berkshire County respondents (n=169)
 SOURCE: Monitor Executive Insight Survey, Monitor Interviews

Findings for Selected Clusters

To develop a deeper understanding of Berkshire County's economic performance and provide a case study of the regional business environment, detailed research and analysis were conducted on two clusters which are in many ways representative of the Berkshires' story: Hospitality & Tourism, as well as Plastics. Hospitality & Tourism leverages the Berkshires' unique mix of natural and cultural assets to drive job growth. Plastics, on the other hand, demonstrates how niche, high value manufacturing can sustain strong wage growth even in a highly competitive environment.

Lessons learned from these case studies can be applied to improve the overall business environment and that for individual clusters, including:

- **Workforce Quality and Training:** Berkshire firms are constrained by a scarcity of quality applicants across the spectrum of positions, for both services and manufacturing sectors. The long-term solution may be found in county-wide population growth and focused education and training programs;
- **Innovation and Differentiation:** Berkshire Hospitality and Tourism firms have prospered by developing a niche market, offering a natural environment with world class cultural assets. For Plastics, competition has driven many firms out of commoditized product lines but Berkshire firms are competing by innovating in their products and production processes, and by delivering superior service to local, national, and international customers;
- **Infrastructure:** Limited transportation options remove the Berkshires from the consideration set of many potential visitors and employers. Similarly, improving cell-phone coverage and increasing the availability of broadband access would make the region a more attractive destination for businesses and business travel;
- **Regionalism:** Berkshire Hospitality and Tourism draws its customer base from nearby metropolitan areas. For Plastics, there are opportunities to align with strong, related clusters in nearby regions (e.g., Medical Devices in Boston). Clusters and the region as a whole can develop the advantages of its proximity to major metro areas by developing formal channels for interaction. This key asset should also inform marketing materials and recruiting efforts.

Berkshire County's Long-Term Economic Strategy

The main driver of the region's economic recovery has been growth in the Hospitality & Tourism cluster, based principally on the region's rich set of cultural attractions set amidst its natural beauty. While critical to the future economy of the Berkshires, Hospitality & Tourism alone will be insufficient. The region will need a long-term strategy that develops additional engines of growth. To do this, Berkshire leaders and the community must reinvigorate the business environment, to:

- Become a magnet for entrepreneurs and business leaders, attracting experienced and ambitious executives to manage and build local companies;
- Develop a vibrant, well connected community that turns the County's small size into an advantage by more effectively linking regional assets with the firms that need them;
- Become a nexus for a variety of firms and industries, rather than rely on one engine of growth such as manufacturing or tourism;
- Connect to nearby metros to enable companies to locate in the Berkshires, but still access the assets of the big cities (e.g., suppliers, capital, customers, expertise, etc.);
- Install a high-quality communications infrastructure to enable access to global business partners.

In order to realize this new vision, Berkshire County will need to move in several new strategic directions:

- From a "one company" town—be it GE or Tanglewood—to a multi-faceted, entrepreneurial economy with activity in diverse sectors;
- From having an adequately large pool of undifferentiated labor, to offering a well-trained workforce, with specialized skills targeted to the specific needs of local firms and clusters;
- From defining the region along traditional political county lines to establishing stronger linkages with nearby metro areas; and
- From using the region's quality of life to attract visitors and firms to marketing the lifestyle to also attract people and talent.

In order to move in these new strategy directions, the Berkshires Strategy Project suggests six distinct issue areas for Berkshire County to focus on:

- **Address the drivers of population loss.** Develop segment-specific strategies for retaining and attracting residents;
- **Align education and training programs with cluster needs.** Upgrade the quality of workforce training and development programs so that these become a competitive advantage for the regional economy;

- **Invest in high-quality infrastructure.** Invest in educational facilities, expand access to residential and commercial real estate, upgrade communication capabilities, and improve transportation infrastructure;
- **Support cluster collaboration programs.** Support regional cluster activation, build networking organizations and assist in addressing funding needs;
- **Support entrepreneurship and innovation.** Create a premier location for innovation and new firm creation by both encouraging entrepreneurship and innovation from local residents and attracting aspiring entrepreneurs from outside the region;
- **Launch internal and external marketing campaigns.** Improve internal and external perception of the Berkshires by communicating new messages about the region’s differentiated tourism assets and the prosperity created by its multi-faceted, entrepreneurial economy.

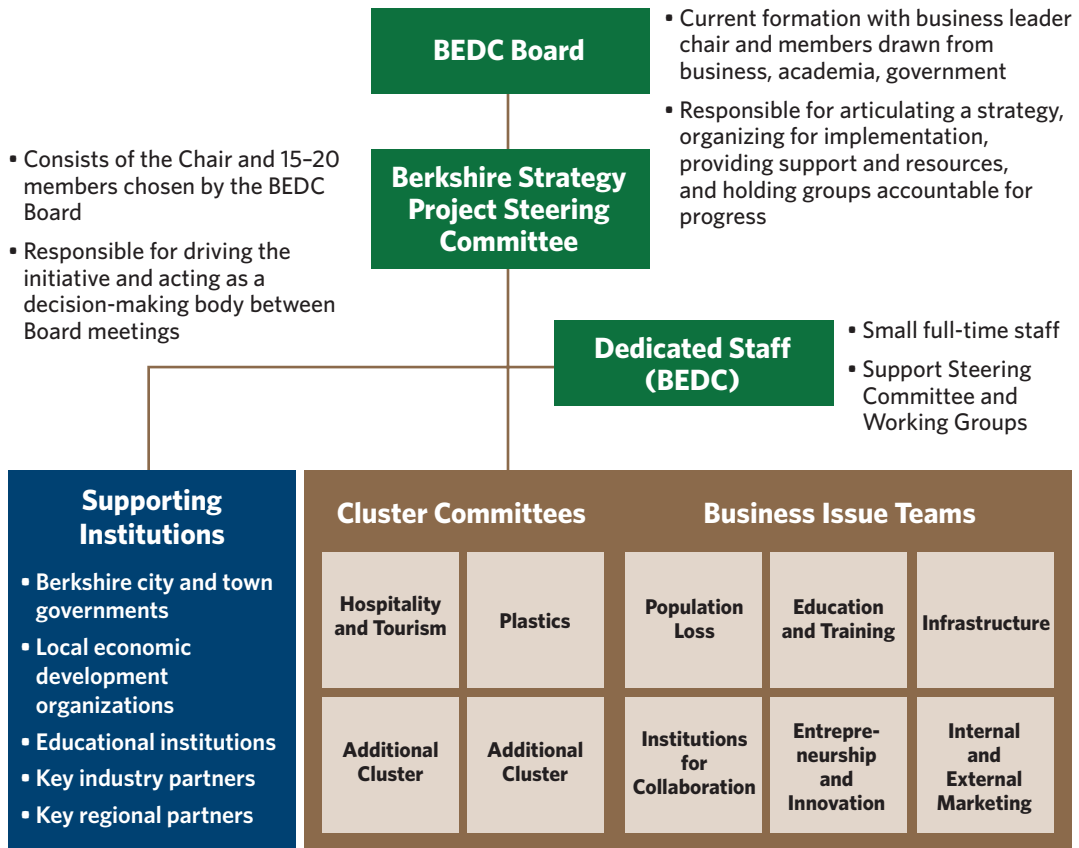
Berkshires Strategy Project Organizing Structure

To execute on the proposed strategy to upgrade the Berkshire business environment, an organizing structure—a group of civic leaders and a set of processes to encourage timely action—is necessary to guide and align the various tactical efforts of the prioritized campaigns.

At the core of this structure is a coordinating body which will drive the long-term implementation of the shared economic strategy for the region. To facilitate the day-to-day activities of the overall initiative, and to provide decision-making capabilities between meetings, a steering committee will be formed. In addition, a dedicated staff is necessary to ensure an adequate amount of resources is available to support the effort.

To the extent possible, membership from the coordinating body and working groups should leverage the existing Berkshire economic development infrastructure and include relevant regional assets. This will ensure alignment of the various efforts and the efficient allocation of resources (see Exhibit 4).

Exhibit 4: Berkshires Strategy Project Organizing Structure



INTRODUCTION AND PROJECT OVERVIEW



Rural regions are a critical priority for economic development. In the United States, 80% of the land area and 20% of the population reside in rural areas, yet most economic competitiveness efforts have been focused on metropolitan areas. It is perhaps no surprise that rural regions have, on average, experienced less prosperity than metropolitan regions; job creation, average wages, wage growth, and innovation output in rural regions have not kept pace with metropolitan areas.

The costs of this continued gap in economic performance are significant. First, the weak performance in rural regions retards national productivity and prosperity, and fails to effectively utilize the country's resources. Ensuring the productivity of all parts of the economy will become an even more important priority as the growth of the US workforce slows. Second, the inability of rural areas to achieve their potential leads to an inefficient geographic distribution of economic activity in the United States. Activities that could be performed more efficiently in rural areas either migrate offshore or add to the congestion of urban centers. Third, weak performance creates demands from rural regions for interventions and wealth transfers that threaten to erode and distort market incentives for investment in productive economic activity.

The rural-metro performance gap has been widely acknowledged and many policy initiatives have, over the years, aimed to address the underlying causes. For the most part, however, the results have not been sufficient to reverse or even stop negative trends. To address this issue, the Economic Development Administration (EDA) of the U.S. Department of Commerce has commissioned *Addressing the Competitiveness and Innovation of Rural U.S. Regions*. This Initiative aims to better understand the drivers of rural productivity, to identify key drivers of and challenges to rural economic growth, and to develop policy recommendations that will improve the performance of rural regions, and therefore the country as a whole.

OBJECTIVES

Addressing the Competitiveness and Innovation of Rural U.S. Regions is comprised of two separate projects: (1) Analysis of Existing Raw Data and (2) a Rural Clusters of Innovation project (a case study of a rural region).

Project One, Analysis of Existing Raw Data, was conducted by the Institute for Strategy and Competitiveness at Harvard Business School.¹ Its objectives were to:

- Conduct analysis that will provide answers to key issues facing rural regions including:

¹ For more details, see www.isc.hbs.edu

- Assessing the real prosperity of rural regions, taking into account the differences in cost levels across regions;
- Analyzing the linkages between rural and metropolitan regions and their impact on economic performance; and
- Mapping cluster composition in rural regions
- Design a data infrastructure that rural regions can draw on when engaging in economic development efforts

The Monitor Group conducted Project Two, Rural Clusters of Innovation.² For this project, Berkshire County, Massachusetts served as the case study, and hence this project is also referred to as the *Berkshires Strategy Project*. Its objectives were to

- Bring together the relevant stakeholders – industry, academia, governments – to collaborate in the development of a shared economic strategy for the Berkshire region;
- Assess the competitive position of the Berkshire region, including analysis of the economic performance and composition against the U.S. and rural regions and in-depth analysis of two clusters;
- Identify key strengths, challenges and new strategic directions for the Berkshires; and
- Develop an organizing structure to implement the proposed strategy with specific action steps and metrics.

Key deliverables of *Addressing the Competitiveness and Innovation of Rural U.S. Regions* (both projects) include:

- Identification of the competitive structure of rural regions with insights on improving innovation and economic competitiveness in rural America;
- Data infrastructure to assist rural regions in their economic development efforts; and
- Develop a framework and process guidelines to inform other regions on how they might best pursue their own regional and cluster studies.

Our expectation is that the findings from this report will better position policy makers and other stakeholders to support rural regions across the country in their efforts to develop and implement effective strategies for raising prosperity.

² For details, see www.monitor.com

THE FOUNDATIONS OF THE COMPETITIVENESS OF NATIONS, REGIONS AND CLUSTERS³ 2

To guide the data-gathering and research, the Monitor Group applied an approach for understanding regional economies and clusters that draws on the framework articulated in *The Competitive Advantage of Nations*, by Professor Michael E. Porter of Harvard University. In this framework, the central economic goal for any region should be to attain and sustain a high and rising standard of living for its citizens. A region's standard of living is determined by the productivity of its economy. Productivity, or value creation, is measured by the value of goods and services produced per unit of labor and capital. Productivity sets the wages that can be sustained and determines the returns that investors can earn in the region—the two principal components of a region's standard of living.

Productivity, contrary to popular usage, is more than just efficiency, or the number of units of output per unit of input. It also depends on the value of the products or services that a region's firms can produce as measured by the prices they can command. The central challenge for a region is to create and maintain the conditions that enable companies located there to achieve high productivity and sustained productivity growth. Over time, a region's sustainable level of prosperity and wages are determined by its ability to create and commercialize innovations, in existing firms and through establishing new firms. The central challenge then in enhancing prosperity is to create the conditions for sustained innovation output.

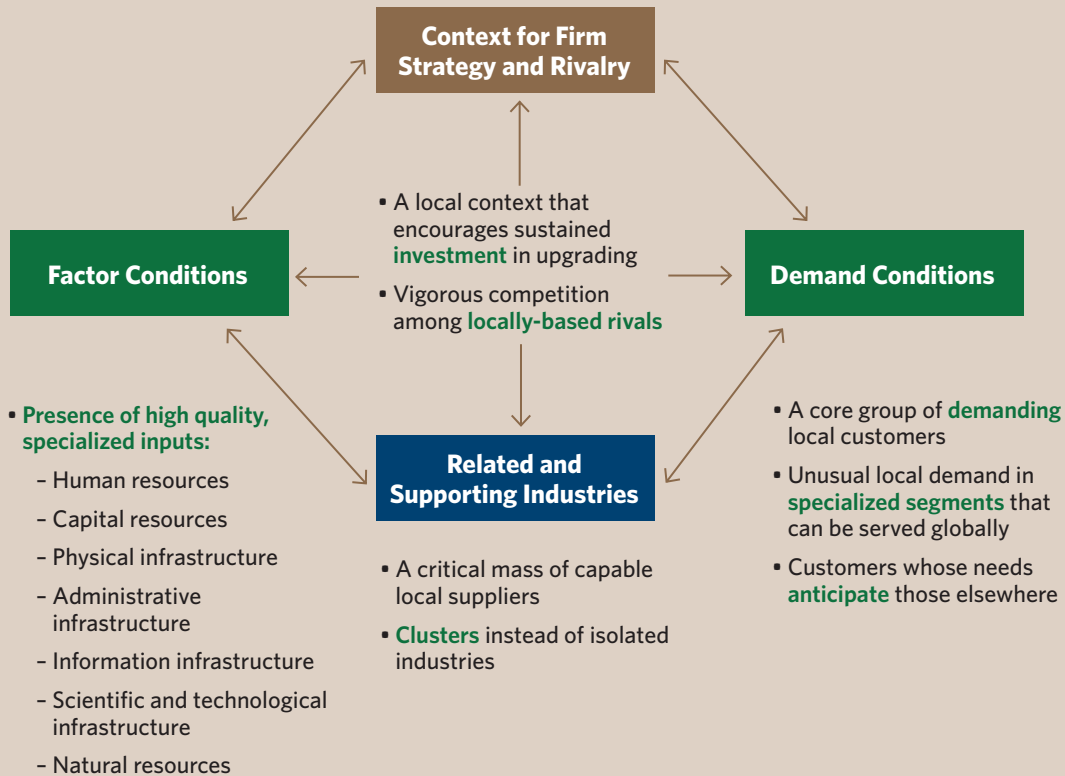
A critical driver of productivity and innovation output is the quality of the regional business environment in which firms operate. This environment is embodied in four broad areas that affect the productivity that can be achieved as well as the rate of innovation (see Exhibit 5):

- **Factor conditions.** Achieving high levels of innovation and productivity growth depends on the presence of high-quality and specialized pools of human resources, basic research, applied technology, infrastructure, and sources of capital that are tailored to the needs of particular industries;
- **Demand conditions.** The quality of local demand exerts a strong influence on the process of creating and improving products and services. Sophisticated customers in a region press firms to improve, and they offer insights into existing and future customer needs;
- **Context for firm strategy and rivalry.** The rules, incentives, and pressures governing the kind and intensity of local rivalry have a fundamental influence on productivity policies that encourage investment, protect intellectual property, and foster productivity growth; and

³ This section is drawn from *South Carolina Competitiveness Initiative: A Strategic Plan for South Carolina*, Copyright 2005 by the South Carolina Council on Competitiveness, Monitor Company Group, LLP and Professor Michael E. Porter, Harvard University.

- **Related and supporting industries.** Local sourcing from capable suppliers based in the region can enhance productivity and improve the capacity for innovation through allowing speedier and less costly communication, fostering the flow of ideas, and enhancing flexibility through outsourcing.

Exhibit 5: Determinants of Regional Productivity

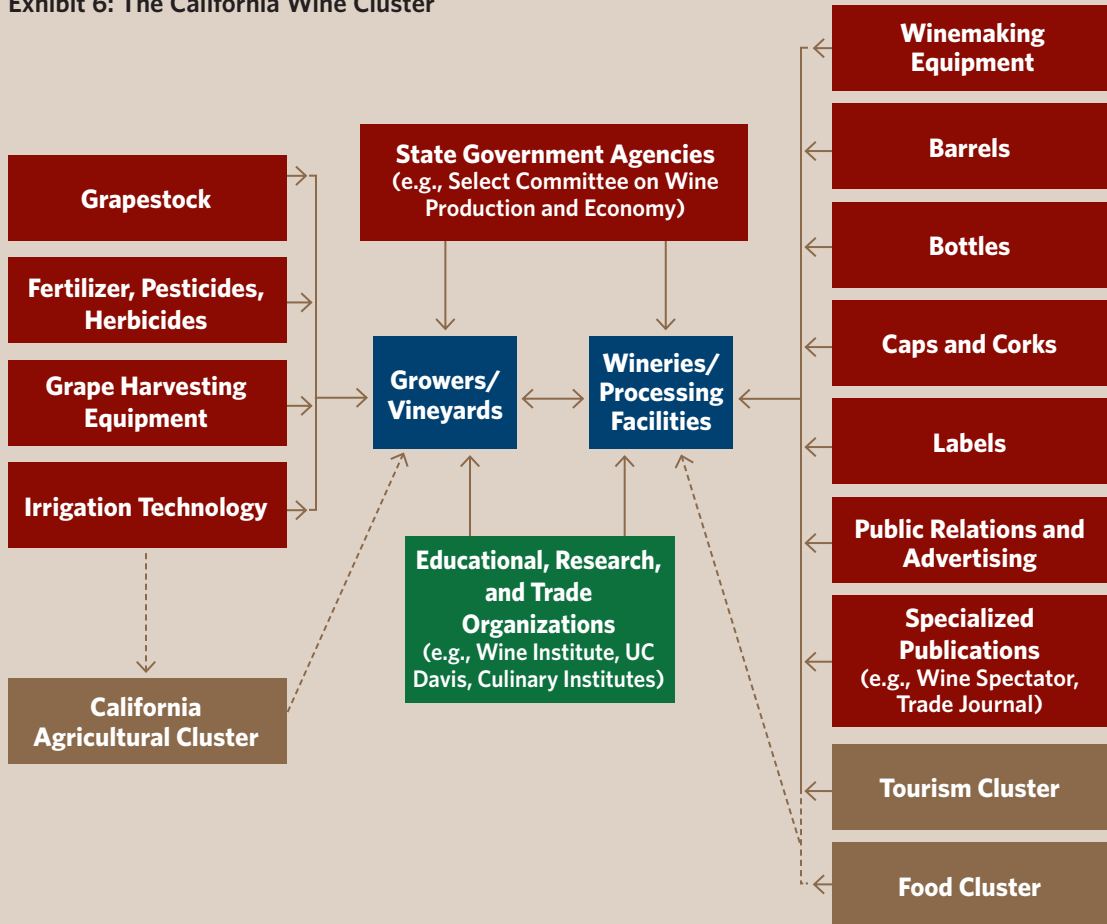


The four areas of the “Diamond” shown above are self-reinforcing and act as a system. Regional rivalry, for example, stimulates the development of unique pools of specialized skills and the formation or attraction of specialized suppliers. Active local rivalry further upgrades regional demand by creating more demanding customers.

The workings of these four attributes generate the formation of clusters. For example, when assessing the breadth and depth of a wine cluster, look for the active presence of a range of industries, institutions, and integrative organizations—such as bottlers, label-markers, and wine institutes (see Exhibit 6). Once a cluster forms, the industries constituting it become mutually reinforcing.

Information flows freely, firms learn about best practices and efficiencies more quickly, and innovation spreads rapidly through the relationships among customers and suppliers. Institutions such as colleges and universities adapt to cluster needs. Rivalry in one industry spreads to other industries in the cluster through spin-offs or related diversification. Related and supporting firms transfer to the region, or start up and grow there. Through a cumulative process often occurring over several decades, the region becomes a repository of specialized expertise, technology, and institutions for competing in a given field.

Exhibit 6: The California Wine Cluster



SOURCE: California Wine Institute, Internet Search, California State Legislature. Based on Research by MBA 1997 Students R. Alexander, R. Arney, N. Black, E. Frost, and A. Shivananda

Government at all levels exerts an influence on the business environment and the innovative potential of clusters. Government’s proper role is to improve the business environment rather than to intervene directly in the competitive process.

Government has four fundamental roles in the economy:

- Improve the quality of basic inputs that firms draw on, such as human resources, physical and technological infrastructure, and capital;
- Create rules, regulations, and incentives that encourage innovation and upgrading. Through regulations, tax policy, and antitrust enforcement, government policies influence the climate in which firms compete;
- Build on and reinforce the formation of local clusters; and
- Encourage local firms and citizens to choose to compete, by educating them about the imperative of international competition and articulating to them an over-arching economic strategy.

In addition to government, many other national and local institutions have a role in competitiveness and economic development. The influence of universities and schools is growing as knowledge and technology become more essential to competition. The private sector has also become a crucial actor in improving competitiveness and in setting economic policy. The private sector is not only a consumer of the business environment but also plays an important role in shaping it. Individual firms as well as collective industry bodies play important roles in improving infrastructure, organizing training, and developing export markets.

Finally, **Institutions for collaboration**—formal and informal organizations and networks that facilitate the exchange of information and technology, and foster various kinds of coordination and collaboration—can improve the business environment in a cluster or in the overall economy. Typical institutions for collaboration include chambers of commerce, industry organizations, technology transfer offices, and business support centers. These institutions are effective vehicles through which companies can upgrade the innovative capacity and productivity of their cluster and regional economy.

ANALYTICAL PROCESS

The analytical process for *Addressing the Competitiveness and Innovation of Rural U.S. Regions* was comprised of a program of primary and secondary research.

For Project One, the Analysis of Existing Raw Data, the Institute for Strategy and Competitiveness (ISC) at Harvard Business School conducted extensive data analyses from unsuppressed governmental data to develop key findings and implications. With input received from the Economic Development Administration and selected practitioners in rural regions, the ISC also developed the architecture for a comprehensive data infrastructure on the economic performance and cluster composition of rural regions.

In Project Two, the *Berkshires Strategy Project*, the Monitor Group team sought the input and perspectives of business and community leaders on issues, opportunities and challenges facing the Berkshire region. In-depth interviews were conducted with 57 business, academic, government and economic development leaders, and provided a deeper understanding of the Berkshire economy. In addition, a comprehensive survey, asking a range of questions concerning the business environment in the region, was disseminated to the business community. Responses for 169 executives were collected, compared to the responses of a similar set of leaders in other regions around the US and the world, and incorporated into the findings.

Monitor Group also analyzed economic performance and composition data provided by the Cluster Mapping Project at Harvard Business School’s Institute for Strategy and Competitiveness. The analysis also included accessing data from a wide variety of government and private sources, including the U.S. Bureau of Labor Statistics, the Bureau of Economic Analysis and the U.S. Census.

Exhibit 7: Overview of Survey Responses and Interviews

Interviews	Surveys
<p>IN-PERSON INTERVIEWS: 57 TOTAL</p> <ul style="list-style-type: none"> ▪ Cluster Interviews <ul style="list-style-type: none"> - 13 Hospitality and Tourism interviews - 9 Plastics interviews ▪ Non-cluster Interviews <ul style="list-style-type: none"> - 18 from the private sector - 3 from academia - 4 from elected government - 9 from economic development organizations - 1 labor representative 	<p>SURVEY RESPONSES: 176 TOTAL</p> <ul style="list-style-type: none"> ▪ 57 executives from Hospitality and Tourism cluster ▪ 14 from Plastics cluster ▪ 12 from Financial Services cluster ▪ 9 from Education and Knowledge Creation cluster ▪ 77 from additional clusters ▪ 7 from non-profit sector

ECONOMIC PERFORMANCE AND INNOVATION OUTPUT

Berkshire County comprises the westernmost part of Massachusetts, stretching north to the Vermont border and south to Connecticut. While located near several metropolitan areas (e.g., Albany, NY, Hartford, CT), the Berkshires maintain a rural character, with rolling landscapes and a low population density. Despite the region's small-town atmosphere, Berkshire County has, in the past, been the headquarters of large manufacturing firms such as Sprague Electric, GE Plastics and General Dynamics Advanced Information Systems. In response to broader economic pressures, however, employment attached to these headquarters has been reduced to a fraction of its mid-century peak. As a result, the composition of the Berkshire economy has shifted from its historical manufacturing base, towards a more service oriented economy.

The most recent data available for the Berkshires shows that the region has enjoyed moderate success as compared to national averages. National averages are important as they help frame Berkshire County's performance within a national context. However, given the lower population density of the region and its rural composition, comparisons against rural America may provide a more appropriate metric. Viewing Berkshire County's performance against rural averages can highlight where and why Berkshire County has outperformed or fallen behind, providing lessons learned that can then be applied to other rural regions. When compared to rural America, Berkshire County has outperformed across almost all dimensions (see Exhibit 8).

Berkshire County has demonstrated strong performance in employment and establishment formation metrics:











- Employment in Berkshire county grew .45% per year from 1997 through 2003; lower than the U.S. rate of .95% per year, but higher than the rural rate of .36% per year
- Berkshire County unemployment rate of 4.6% in 2004 was lower than both the national and rural averages of 5.5%;
- Establishment formation⁴ in Berkshire County was 2.24% per year between 1997–2004, vs. national growth of 1.84% per year.

⁴ An establishment is an economic unit—business or industrial—at a single geographic location, where business is conducted or where services or industrial operations are performed.

Berkshire County, however, has trailed the national index in metrics of prosperity and innovation and lagged behind both national and rural averages in population growth, a key input to sustained economic growth:

- Average wages of \$34,430 in 2004, were 22% higher than the rural average of \$28,145, but only 89% of the national average of \$38,798;
- Wages in Berkshire County grew 3.37% per year from 1997–2004 versus 3.41% and 3.81%, respectively for rural regions and the United States as a whole;
- Patents per 10,000 workers in Berkshire County were 5.9 in 2004, only 76% of national average of 7.77;
- Berkshire County experienced a population loss of 3.1% from 1997-2004 compared to a gain of 2.9% in rural regions and a gain of 7.6% nationally.

Exhibit 8: Economic Performance and Innovation Output Metrics

Performance Against US	Performance Against Rural Regions
<p> JOB CREATION^{1,2}</p> <ul style="list-style-type: none"> • Employment grew yearly at 0.45% between 1997-2004, which was 47.1% of national average of .95% 	<p> JOB CREATION⁵</p> <ul style="list-style-type: none"> • Rural employment grew 0.36% annually from 1997-2003 <ul style="list-style-type: none"> – Berkshires employment grew yearly at 0.44% between 1997-2003
<p> UNEMPLOYMENT¹</p> <ul style="list-style-type: none"> • Unemployment rate of 4.6% in 2004 is lower than the national average of 5.5% 	<p> UNEMPLOYMENT⁵</p> <ul style="list-style-type: none"> • Rural unemployment fell to 5.5% in 2004 from 5.8% in 2003 <ul style="list-style-type: none"> – Berkshires unemployment rate was 4.6% in 2004
<p> POPULATION³</p> <ul style="list-style-type: none"> • Berkshire County experienced a population loss of -3.1% from 1997-2005 compared to a gain of 8.7% in the US 	<p> POPULATION⁵</p> <ul style="list-style-type: none"> • Rural America grew 0.41% annually from 1997-2004 <ul style="list-style-type: none"> – Berkshires lost 2.3% of its population from 1997-2004
<p> AVERAGE WAGES^{1,2}</p> <ul style="list-style-type: none"> • Average wages of \$34,430 in 2004 were 89% of the national average of \$38,798 	<p> AVERAGE WAGES¹</p> <ul style="list-style-type: none"> • Average rural wages were \$28,145 in 2004 <ul style="list-style-type: none"> – Berkshires average wage was \$34,430 in 2004, 122% of the US rural average
<p> PATENTS⁴</p> <ul style="list-style-type: none"> • Patents per 10,000 workers of 5.87 in 2004, was 76% of national average of 7.77 	
<p> ESTABLISHMENT FORMATION¹</p> <ul style="list-style-type: none"> • Number of private establishments grew at 2.24% per year between 1997-2004 vs. national growth of 1.84% per year¹ 	

SOURCE: (1) Bureau of Labor Statistics; (2) US Department of Commerce: Bureau of Economic Analysis; (3) US Census; (4) US Patent and Trademark Office; (5) Department of Agriculture

ECONOMIC COMPOSITION OF THE BERKSHIRE COUNTY ECONOMY

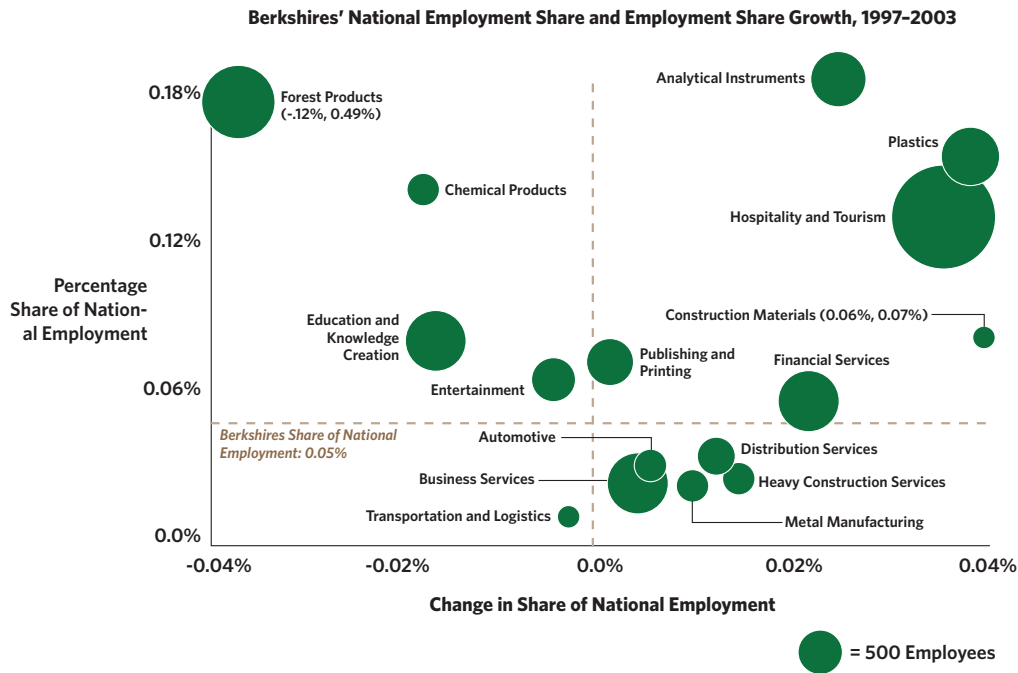
The economic performance of Berkshire County is directly linked to its economic composition. In all economies, industries can be separated into “traded” and “local” clusters based on the geographic scope of the economic activity. Local clusters are those that primarily sell and compete only within their region (e.g., retail, healthcare). Traded clusters are those that sell to other regions and tend to concentrate in specific locations (e.g., plastics, heavy construction, financial services). Traded clusters drive a region’s prosperity because these clusters have the potential to grow beyond the size and the needs of the local market. This growth in turn supports higher levels of innovation, greater productivity growth, and higher wages.

The Institute for Strategy and Competitiveness at Harvard Business School has identified 41 distinct traded clusters within the U.S. economy. All regions have some employment in nearly all clusters; however, small towns and rural regions, such as Berkshire County, are likely to have strong positions in only a few.

As illustrated in Exhibit 9, Berkshire County has a relatively healthy portfolio of traded clusters. Each bubble in Exhibit 9 represents one of the Berkshire’s larger traded clusters (on a relative basis), with employment of at least 100 individuals in 2003⁵. Clusters above the horizontal line are larger than would be expected based on the Berkshires’ overall share of national employment. Those to the right of the vertical line are growing faster than the average cluster growth in the United States from 1997-2003. Clusters in the upper right quadrant such as Plastics, Analytical Instruments, Hospitality & Tourism and Financial Services have the strongest competitive position in Berkshire County.

⁵ At the time of this printing, 2003 was the latest data available from the US government and analyzed by the Institute for Strategy and Competitiveness at Harvard Business School.

Exhibit 9: Berkshire County's Economic Portfolio

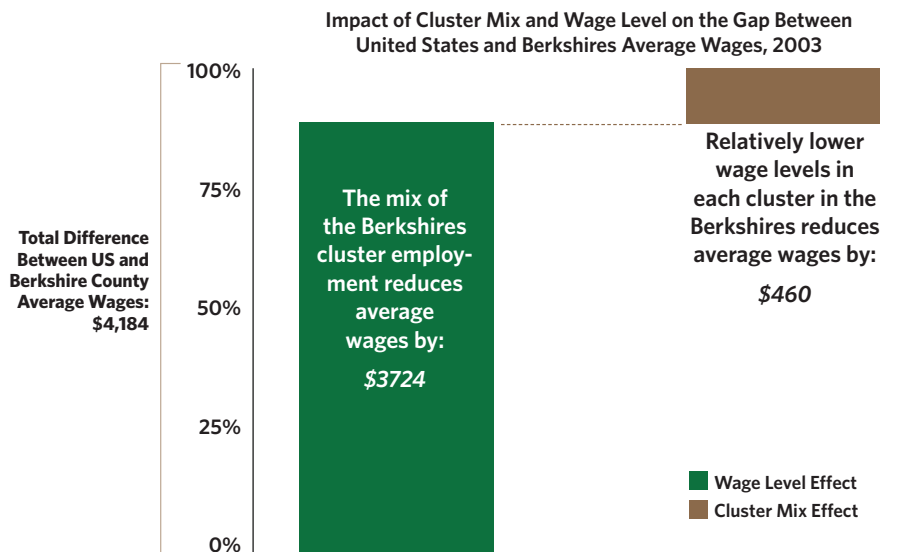


NOTE: Clusters with less than 100 in employment in 2003, and clusters for which the Massachusetts Department of Employment and Training (DET) has no employment in 1997 have been omitted.
SOURCE: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School; Monitor Analysis

Factors Influencing the Berkshires' Relatively Low Average Wage

The competitive strength and size of these traded clusters affect a region's overall economic performance, and in particular, its wage levels. In the Berkshires, the average traded wage of \$42,556 is \$4,184 less than the national average traded wage of \$46,739. Eighty-nine percent of this gap is accounted for by the region's mix of clusters. The remaining 11% of the wage gap is due to generally lower wages across Berkshire clusters. For instance, the Berkshires are more heavily concentrated in Hospitality & Tourism which is a relatively low wage cluster. The Berkshires are also underrepresented in some relatively high wage clusters like Business Services (see Exhibit 10).

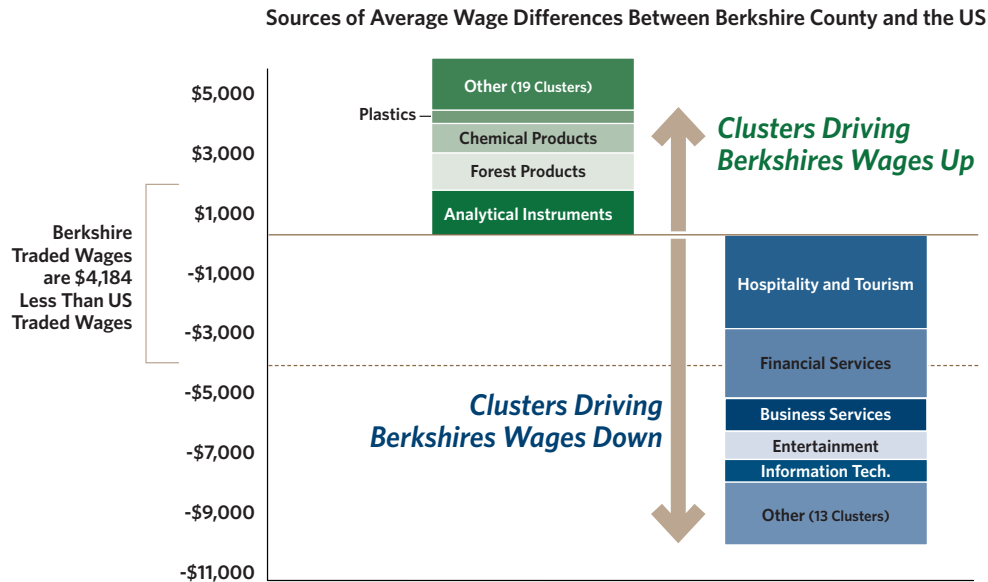
Exhibit 10: Impact of Cluster Employment Composition on Average Wages



NOTE: Assumes average wages of reported employment are representative of average wages for all employment in a cluster
 SOURCE: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School; Monitor Analysis

In terms of the contribution of individual clusters, in Berkshire County, 70% of the positive impact on wages can be attributed to four manufacturing-heavy clusters: Analytical Instruments, Forest Products, Chemicals, and Plastics. About 80% of the negative impact on average wages can be attributed to five clusters, Hospitality & Tourism, Financial Services, Business Services, Entertainment and Information Technology (see Exhibit 11). The key conclusion is that despite the dramatic downsizing in firms like Sprague and GE in the 1980s, and despite the growth of service oriented clusters like tourism, manufacturing remains a driver of prosperity in the region.

Exhibit 11: Impact of Individual Clusters on Average Wages in Berkshire County



NOTE: Cluster contribution represents net effect of cluster mix effect and wage effect; Other major positive drivers include: Processed Food, Biopharmaceuticals, Transportation and Logistics, and Apparel; Other major negative drivers include: Distribution Services, Education and Knowledge Creation, Analytical Instruments, Textiles, Oil and Gas, Products and Services, Power Generation and Transmission, Automotive, Aerospace Vehicles and Defense, Communications Equipment, Construction Materials, Publishing and Printing, 2003 data
 SOURCE: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School; Monitor Analysis

ASSESSMENT OF THE BUSINESS ENVIRONMENT IN BERKSHIRE COUNTY

The competitiveness of Berkshire-based businesses is directly linked to the strength of the local business environment. The business environment refers to elements of the local economy that contribute to the overall competitiveness of a region. Factor conditions, related and supporting industries, demand conditions and context for firm strategy and rivalry all play integral roles in the competitiveness of a business environment. Data from surveys and interviews with Berkshire executives were analyzed to identify strengths and weaknesses in the business environment (see Exhibit 12).

Exhibit 12: Berkshire County Business Environment

ADVANTAGES

- Outstanding cultural attractions for a rural region
- Abundance of natural attractions
- Easy pace of life within natural surroundings
- Proximity to large, successful metropolitan areas (e.g., Boston, New York)

DISADVANTAGES

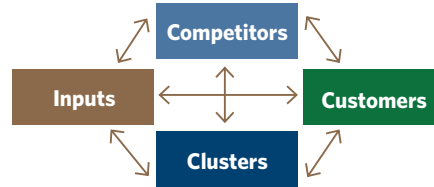
- Relatively high cost of doing business (compared to rural regions)
- Limited workforce
 - Aging population
 - Net loss of young talent
- Limited lifestyle options (for younger population)
- Lack of established research and technical universities
- Limited telecommunications / transportation infrastructure
- Declining affordable housing options

ADVANTAGES

- Legacy of corporate HQs provide basis for entrepreneurship and firm development

DISADVANTAGES

- Opposition to growth discourages investment in facilities
- Massachusetts taxes, regulations, and incentives discourages investments



ADVANTAGES

- Major corporate buyers provide sophisticated demand
- Visitors and part-time residents from metro areas are sophisticated consumers

DISADVANTAGES

- Smaller population base limits quantity / diversity of feedback

ADVANTAGES

- Decent firm presence in several clusters (e.g. plastics, forest products, hospitality and tourism)
- Proximity to larger clusters in nearby metros (e.g., Boston, Albany, Springfield, etc.)

DISADVANTAGES

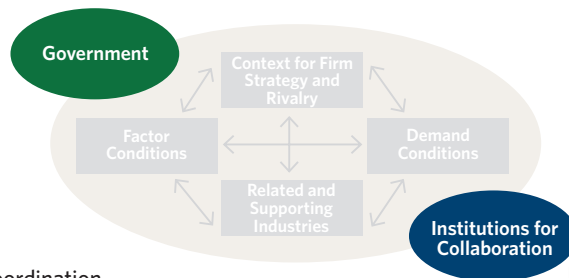
- Rural area limits ability to reach critical mass in many clusters

ADVANTAGES

- Increasing attention from state government (e.g., Regional Competitiveness Councils)
- Increased responsiveness to business by local officials

DISADVANTAGES

- Historically limited coordination among cities and towns within Berkshire County
- Larger Massachusetts cities (e.g., Boston) typically have greater accessibility to key leaders



ADVANTAGES

- Close-knit community highly interested in economic development
- Small size facilitates networking
- Some institutions for collaboration for workforce development
 - Berkshire Compact
 - Berkshire County Regional Employment Board
 - Berkshire Applied Technology Council

DISADVANTAGES

- Lack of cluster organizations
- Limited institutional support for entrepreneurship
- Limited supportive educational programs targeting cluster needs (especially technical colleges)

SOURCE: Monitor Executive Insight Survey, Monitor Interviews, and Monitor Analysis

Factor Conditions

Berkshire County has several strengths in terms of factor (input) conditions. Most notably, the region offers a high quality of life (easy pace of life) and an abundance of cultural and natural amenities. These attributes have specifically strengthened the position of the Hospitality & Tourism cluster, and have also assisted in recruiting and retaining workers across all industries. In addition, the geographic proximity of large metropolitan areas offers access to important assets such as customers, suppliers, and capital.

Berkshire County however, faces significant factor input challenges in the areas of human assets and infrastructure. Workforce availability is the primary concern of business owners across a broad range of industries and types of firms. The region suffers from a shortage of skilled labor due to the small size of the local workforce. Workforce constraints are compounded by the out-migration of people, especially the younger generations, who move away to seek high wages, more secure careers (e.g., out of manufacturing, which has a negative connotation in the region), or different lifestyle options. In addition, the region's educational and training programs have not been fully aligned with employer needs. A recent initiative—Berkshire Compact—is making great strides in this area, and the Berkshire Strategy Project should work closely with that initiative to improve alignment.

Limited transportation and communications infrastructure also present challenges for Berkshire County businesses. While the Berkshires have interstate access to several major metropolitan areas, the region suffers from poor intraregional transportation and incomplete cell phone and broadband Internet access. Furthermore, burdensome regulations and the relatively high cost of doing business are frequently mentioned regional business owners and prospective new-comers to the Berkshires (see Exhibit 13).

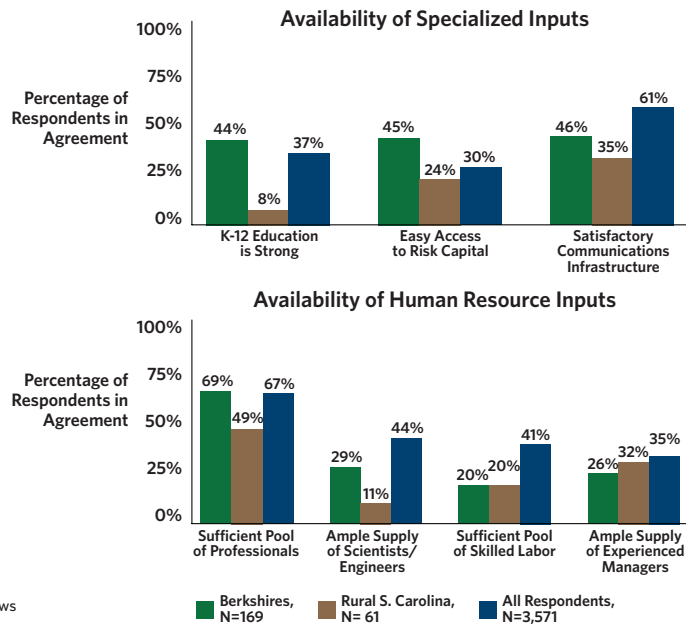
Exhibit 13: Factor Inputs

Representative Interview Quotes

ADVANTAGES
Educated Workforce
"High school graduation rates are relatively strong"
"The workforce is highly skilled in select sectors due to the legacy of GE Plastics"

DISADVANTAGES
Workforce and Infrastructure
"A lot of the current workers will be retiring soon and the Berkshires will need people to replace them"
"A lot of being here is linked to personal connections. Its is hard for people to take the Berkshires seriously if you want to hire 50-100 employees"
"Berkshire Connect helped, but cell phone service remains limited throughout the country"

SOURCE: Monitor Executive Insight Survey, Monitor Interviews



Demand Conditions

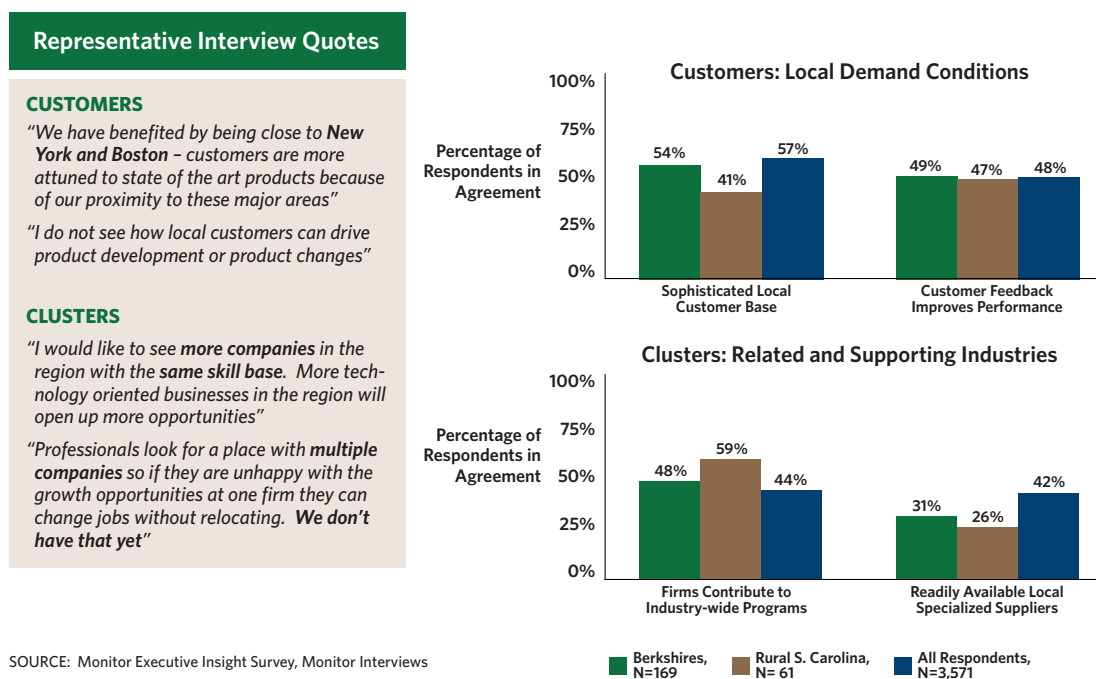
In general, businesses in the Berkshires remain or relocate in the region due to personal connections and an appreciation of the rural pace of life, not necessarily because of a desire to capture the benefits of a demanding customer base. While stronger demand conditions would give local producers insights into future market trends and aid in product and process innovation, the smaller population of Berkshire County and the nature of the local customer base limit the quantity and diversity of feedback. However, the region's proximity to large metropolitan regions (e.g., New York, Boston), does improve business opportunities by providing access to a customer pool that is typically more attuned to market changes and innovation (see Exhibit 14).

Context for Firm Strategy and Rivalry and Related and Supporting Industries

Although the region has a presence in several clusters (e.g. Plastics, Forest Products, Hospitality & Tourism), most clusters lack the critical mass required to capture important linkages in technology, skills, information, marketing and customer needs. These connections, however, are fundamental to enhancing competition, to driving innovation and to upgrading the Berkshire business environment. Building a broader base of firms in the region that require the same skill sets will open up more opportunities both in terms of talent attraction and business innovation. The fact of the matter is that the

Berkshires are a low population region and simply cannot expect to have a dense mass of companies in several of its clusters. However, the region can better utilize its proximity to several metropolitan regions. Connecting to, and collaborating with, nearby firms (beyond the Berkshire political boundaries) can allow local firms to capture the advantages offered by cluster linkages (see Exhibit 14).

Exhibit 14: Local Demand Conditions and Related and Supporting Industries



SOURCE: Monitor Executive Insight Survey, Monitor Interviews

Government and Institutions for Collaboration

Both government and institutions for collaboration play an important role in shaping the pressures, incentives and capabilities of a region’s firms. Within Berkshire County, a history of limited coordination among cities and towns has created challenges in terms of local government support for and responsiveness to business needs. Over the last several years, collaboration has significantly improved, and this trend must continue for the region to effectively execute on its strategy. Survey and interview data show that local executives encounter significant difficulties with the permitting and regulatory processes. Clearly the region would benefit from mechanisms to streamline this process, such as designating specific areas (e.g., the old GE factory site) as pre-approved for development and dramatically reducing the red-tape involved in setting-up and expanding operations there. At the same time, the Berkshires are located in the American Northeast, and the regulatory environment will never match that of other manufacturing intensive locations in the South, let alone abroad. Moreover,

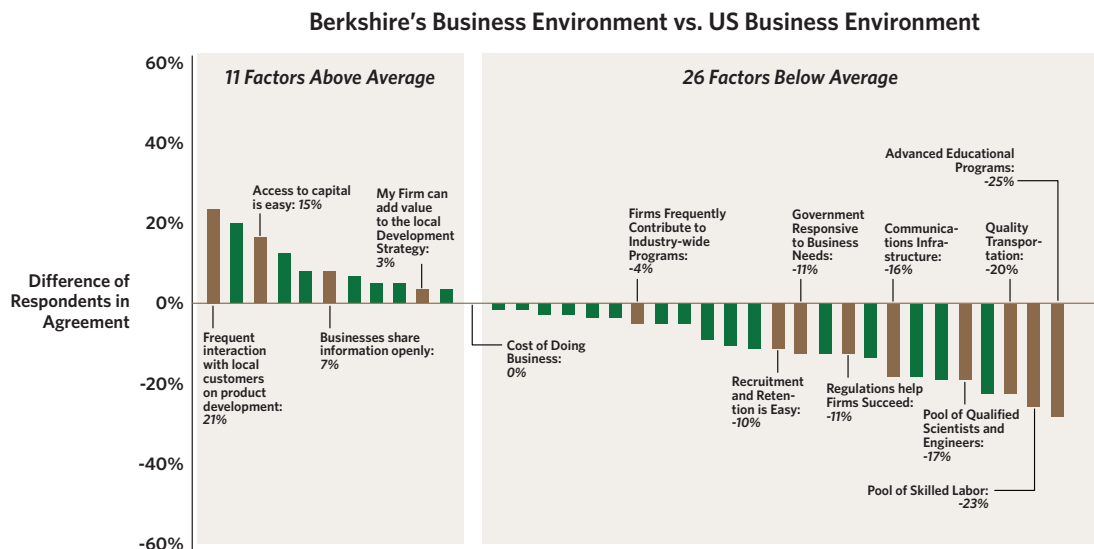
the Berkshires’ most important competitive advantage is its unique quality of life—rural beauty with world-class culture—and excessive development would tend to undermine this asset. So while various “work-arounds” to ease regulatory issues make sense, it is unreasonable to expect this to become an area of competitive advantage for the region.

While institutions for collaboration are positioned to help drive critical mass and to coordinate cluster concerns, Berkshire County has relatively few such entities. In many regions, these organizations play an important role in the local economy by enhancing linkages, facilitating the flow of information, and supporting recruitment efforts. At the same time, in the Berkshires, the relatively small size of the population facilitates networking and communication, and these informal institutions and procedures are an advantage that ought to be further developed.

CONCLUSION ON THE BUSINESS ENVIRONMENT

On the one hand, Berkshire County is strong in several basic factor inputs such as quality of life and cultural and natural attractions. On the other hand, the region is at a disadvantage in terms of workforce, infrastructure and governmental responsiveness. Exhibit 15 compares the perspective of Berkshires executives on their business environment against the business environment of the overall nation. As seen in Exhibit 15, the Berkshires outperform US averages in 11 surveyed areas including access to risk capital and community involvement of local firms. However, the region underperforms the US in 26 surveyed areas including workforce availability and development, government responsiveness, and infrastructure. Several of these areas must be addressed by the strategy for the Berkshires to build the kind of business environment that will help make local firms more competitive.

Exhibit 15: Berkshire Business Environment vs. US Business Environment



NOTE: Chart compares all United States respondents (n=2273) to all Berkshire County respondents (n=169)
 SOURCE: Monitor Executive Insight Survey, Monitor Interviews

FINDINGS FOR SELECTED CLUSTERS 4

To develop a deeper understanding of Berkshire County's economic performance and to provide a case study of the regional business environment, detailed research and analysis were conducted on two clusters: Hospitality & Tourism and Plastics.

These clusters were selected according to several criteria: substantial impact to the regional economy, competitive position vis-à-vis other domestic and international regions; alignment of strengths with nearby metropolitan areas, and the level of organizational support for a cluster activation strategy. The choice of these clusters however, does not reflect an effort to pick winning clusters, or to identify clusters meriting disproportionate public attention and investment. On the contrary, the hope is that these cluster analyses will serve as models to help activate other clusters in the region.

The two clusters are in many ways representative of the Berkshires' story. Hospitality & Tourism leverages the Berkshires' unique mix of natural and cultural assets to drive job growth. Plastics, meanwhile, demonstrates how niche, high value manufacturing can sustain strong wage growth even in a highly competitive environment. Lessons learned from these case studies can then be applied to improve the overall business environment for all clusters.

BERKSHIRE COUNTY'S HOSPITALITY & TOURISM CLUSTER

The Hospitality & Tourism cluster plays a central role in the economy of Berkshire County, and is a prominent aspect of the County's overall identity. The cluster employed more than 4,100 people (traded employment) in 2003, making it the largest of the county's traded clusters.⁶ Though typically associated with towns in the southern part of the County, the Hospitality & Tourism cluster increasingly contributes to the prosperity of cities of Pittsfield and North Adams, and is complimentary to the quality of life that makes the county an attractive place to live and do business.

On a national scale, Hospitality & Tourism is a significant and expanding component of the US economy. Though it experienced a significant slowdown in 2001 and 2002, tourism nationwide has rebounded strongly, and is currently experiencing robust growth; employment, wages and productivity in Hospitality & Tourism are growing faster than in the rest of the economy. Relative to the nation's largest Hospitality & Tourism clusters and to comparable regions, Berkshire County generated stron-

⁶ Employment in Berkshire's Hospitality and Tourism cluster is sometimes listed between 9,000-11,000. These figures, however, include both local and traded employment. Monitor's methodology is focused only on traded employment.

ger employment growth (5.30%) and wage growth (5.50%) from 1997 to 2003. However, average Hospitality & Tourism wages in the county remain modest at just under \$21,000, and there has been no recent growth in the number of establishments (see Exhibit 16).

Exhibit 16: Relative Performance against US Clusters and Relevant Comparables

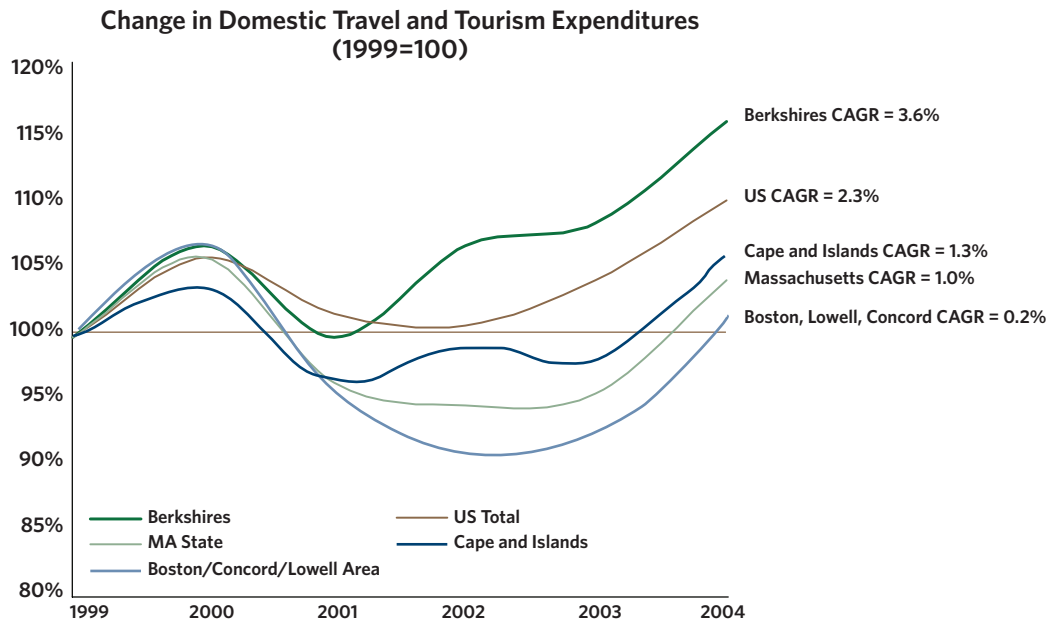
Cluster Rank	Metropolitan Area	Employment	CAGR of Employment 1997-2003	CAGR of Establishments 1997-2003	Average Wages (2003)	CAGR of Average Wages 1997-2003
108	Berkshire	4,141	5.30%	1.05%	\$20,702	5.50%
NATIONAL LEADERS						
1	Las Vegas, NV	181,166	2.10%	3.14%	\$28,457	3.62%
2	Los Angeles, CA	117,148	0.68%	0.07%	\$24,129	4.41%
3	New York, NY	107,253	0.57%	0.30%	\$31,357	3.44%
4	Orlando, FL	83,022	0.63%	0.65%	\$19,239	1.29%
5	Miami, FL	81,365	3.56%	0.26%	\$26,785	5.63%
REGIONAL NEIGHBORS						
50	Providence, RI	10,581	1.40%	0.80%	\$23,318	2.62%
70	Portland, ME	5,977	4.23%	0.29%	\$24,743	2.94%
111	Barnstable, MA (Cape Cod)	3,151	-2.43%	-1.10%	\$33,589	5.16%
152	Burlington, VT	2,186	2.36%	1.23%	\$17,882	4.50%
336	Lewiston-Auburn, ME	462	6.42%	0.99%	\$18,773	5.98%
COMPARABLE REGIONS NATIONWIDE						
NA	Boone, NC	608	-4.39%	5.72%	\$19,072	10.18%
NA	Taos, NM	864	-2.55%	3.83%	\$12,372	4.29%
NA	Vail - Edwards, CO	3,738	0.73%	12.74%	\$24,929	5.65%
118	Santa Fe, NM	3,001	2.20%	-1.35%	\$18,125	3.50%
195	St. George, UT	1,502	2.11%	1.23%	\$14,100	5.18%
SELECTED STATES						
NA	Arizona	54,808	2.59%	0.96%	\$19,060	4.10%
NA	Colorado	52,768	0.84%	1.05%	\$19,963	4.51%
NA	Hawaii	49,850	-1.23%	0.71%	\$29,236	2.81%
NA	South Carolina	37,437	0.45%	-1.78%	\$17,883	3.79%
NA	Vermont	10,289	2.27%	0.05%	\$15,418	3.92%

NOTE: Expanded cluster definition includes Hospitality & Tourism cluster and selected Entertainment and Education subclusters; Hospitality & Tourism cluster data is from Massachusetts Department of Employment and Training (DET), Entertainment and Education is Institute for Strategy & Competitiveness data; Establishments is from ISC for all clusters and subclusters (Hospitality & Tourism, Entertainment and Education)
 SOURCE: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School; County Business Patterns

In Berkshire County, the Hospitality & Tourism cluster centers around the region’s natural amenities and cultural institutions. The landscape supports a wide variety of outdoor activities, such as skiing, hiking, and biking, that are served by equipment outfitters, guides, and recreation area operators. A concentration of world-class cultural institutions, including MassMOCA, Tanglewood, and the Williamstown Theatre Festival attracts a loyal group of higher-income visitors and distinguishes the Berkshire cluster from its national peers.

Through this unique mix of natural and cultural attractions, Berkshire County has enjoyed sustained growth in total travel and tourism expenditures; 1999-2004 growth rate of 3.6% exceeds both US and Massachusetts expenditure growth rates of 2.3% and 1.0%, respectively (see Exhibit 17). This strong performance may in part, be due to the post-September 11th resilience of the Berkshire Hospitality & Tourism cluster, perhaps because the region was perceived by anxious travelers as a safe, familiar destination.

Exhibit 17: Travel and Tourism Expenditures, 1999-2004

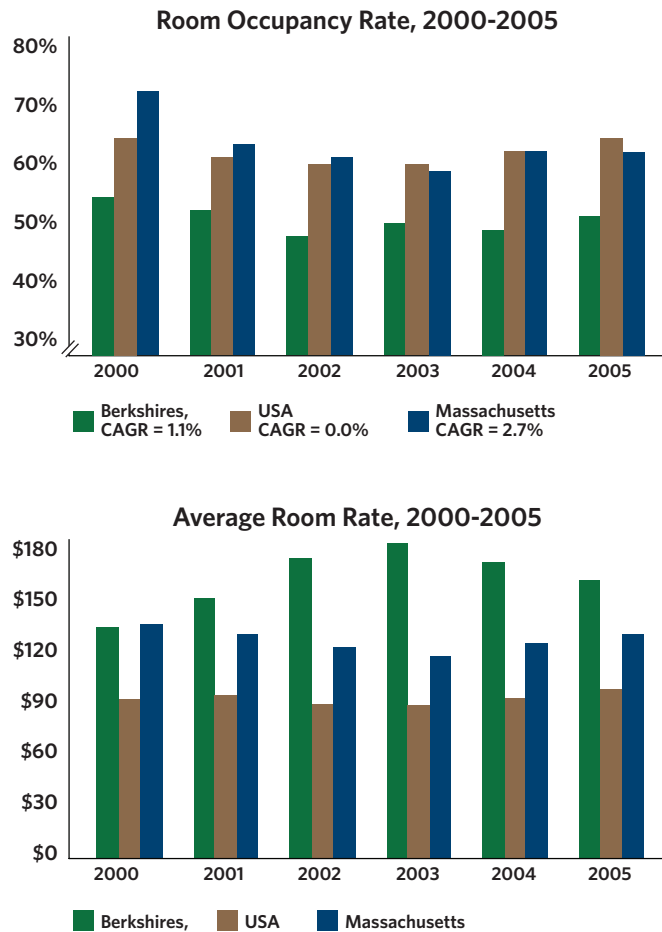


SOURCE: "The Economic Impact of Travel on Massachusetts Counties 2004," Massachusetts Office of Travel and Tourism January 2006

While travel and tourism expenditures have increased, average room prices have declined 12% since 2003 and occupancy rates have remained flat, suggesting that the increase in expenditure growth is driven by a county-wide increase in the supply of hotel rooms (see Exhibit 18). In addition, attendance at top cultural attractions or local ski areas has remained flat over the past several years (see

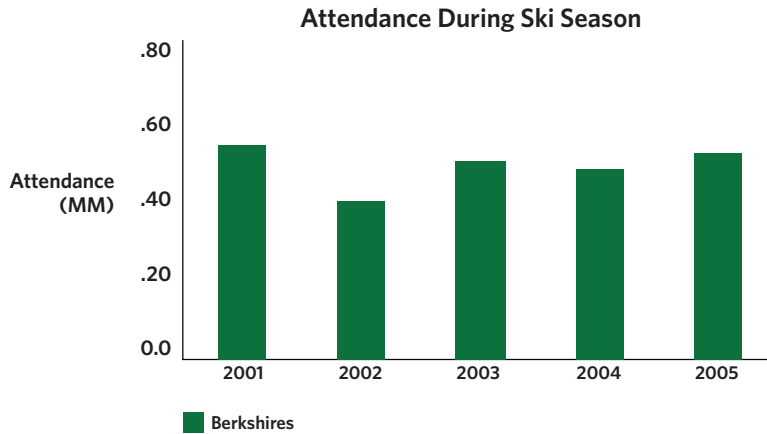
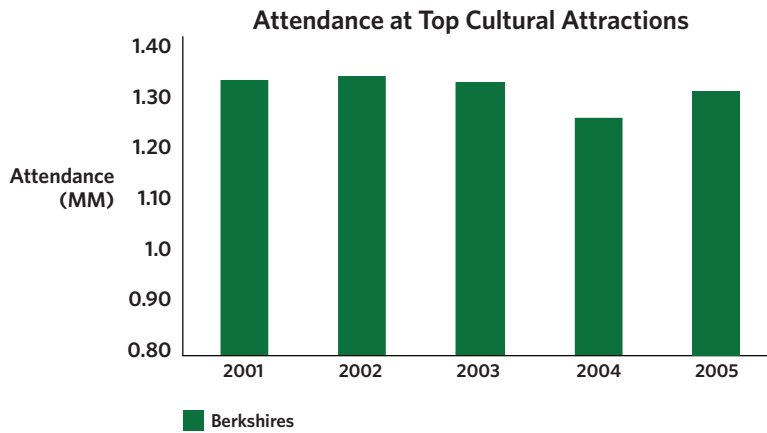
Exhibit 19). There is reason to believe, therefore, that activities that have traditionally been peripheral to tourism promotion efforts – such as outdoor recreation – have been significant drivers of recent growth and represent opportunities for continued expansion in the future. In addition, increased visitors to local resorts and spas—operations that typically keep guests on-site—also account for the rise in tourism expenditures without a corresponding increase in attendance at local attractions.

Exhibit 18: Room Occupancy and Average Nightly Rate 2000-2005



SOURCE: Berkshire Visitors Bureau, MA Office of Travel and Tourism

Exhibit 19: Berkshire Attendance Levels



SOURCE: Berkshire Visitors Bureau

While historically a major source of employment in Berkshire County, the Hospitality & Tourism cluster has an opportunity to create increasing prosperity in the region by developing means to more effectively share the region's assets with tourists and visitors. Because the quality of the business environment contributes greatly to the success of these efforts, the challenge for the cluster and the community is to improve the business environment for local Hospitality & Tourism firms.

The business environment for the Berkshire Hospitality & Tourism cluster offers both advantages and barriers to firms. Among the region's strengths are its scenic beauty, recreation opportunities, and abundance of world-class cultural attractions. Areas for improvement in the business environment include:

- Enhancing and expanding collaboration within the cluster
- Refining customer segmentation and marketing activities
- Ensuring the availability of a competent workforce

- Addressing the opportunity offered by “shoulder seasons”
- Upgrading communications and transportation infrastructure to meet the needs of business travelers and other high-value segments

Together, these challenges have constrained the growth of what could be an even more prosperous tourism cluster.

While the Berkshire Visitor’s Bureau has been effective in branding the region as “America’s Premier Cultural Resort”, promotion efforts have focused on the Boston and New York markets, without expanding beyond these nearby metropolitan areas. In contrast, the leading Hospitality & Tourism clusters in the US — Las Vegas, Los Angeles and New York — and niche destinations like Taos, New Mexico and Vail, Colorado, have broadened their customer base to include a national and international audience.

To engage a broader market, the cluster should make a concerted effort, facilitated by the Berkshire Visitor’s Bureau, to identify national and international market segments with high expenditures per tourist, and create a differentiated marketing plan specific to each segment. If used to segment the market by activity, this strategy can also drive shoulder-season tourism, business conferences, and outdoor recreation.

Several establishments enjoy success in the region based upon sophisticated customer segmentation, upgrading facilities and investment in off-season activities. For example, Cranwell Resort constructed a state-of-the-art spa facility to draw more visitors to their hotel during the shoulder season. Canyon Ranch, a nationally recognized destination resort, segments the market and creates separate marketing approaches for each distinct customer segment. For smaller businesses that lack the facilities to provide the full suite of services as well as the resources to undertake independent customer segmentation strategy, bundling resources among complementary establishments can create both the scale needed to develop more targeted marketing campaigns, and the scope of attractions needed to draw in visitors. In other words, through deeper collaboration, fragmented tourism operations can behave more like the integrated resorts and spas, and enjoy a measure of the success that those types of operations are having.







To capitalize on its growth potential, the cluster must also address two critical constraints. The first of these is inadequate infrastructure. Limited transportation options remove the Berkshires from the consideration set of many potential visitors; for example, direct rail access from New York, or simply the availability of rental cars at Albany-Rensselaer Station, would facilitate access to the region. Similarly, improving cell-phone coverage and increasing the availability of broadband access would make the region a more attractive destination for business travel, such as small conventions during the shoulder seasons.

The second critical constraint for the cluster is the availability of a quality workforce. Berkshire firms are constrained by a scarcity of quality applicants across the spectrum of positions, and in

particular, with entry-level positions. This may be, in part, an inevitable consequence of low unemployment; the long-term solution may be found in county-wide population growth and better education and training programs.

The Berkshires Hospitality & Tourism cluster, beyond its own economic contribution, plays an additional, albeit indirect, role in the overall economy. Entrepreneurs and business owners across clusters often cite a personal connection or experience as a primary reason for locating their firm in the County, and for many this connection began with experience as a tourist or second-home owner. To encourage this, Berkshire County’s Hospitality & Tourism strategy should be integrated with the overall economic development strategy, and supported by extensive collaboration among private and public stakeholders to target and bring in visitors who might later return and pursue their career in the County (see Exhibit 20).

Exhibit 20: Potential Action Items to Upgrade Hospitality & Tourism Business Environment

Key Cluster Concerns	Potential Action Items
	<ul style="list-style-type: none"> ▪ Develop institutions for collaboration for cluster ▪ Treat the Berkshires as part of a larger tourism cluster and collaborate with other regions to leverage shared assets ▪ Identify synergistic areas and execute on specific objectives
	<ul style="list-style-type: none"> ▪ Identify target customer segments ▪ Create differentiated marketing plan specific to each customer segment's buying behavior and attributes
	<ul style="list-style-type: none"> ▪ Develop targeted training programs with local schools ▪ Improve quality of life for workforce
	<ul style="list-style-type: none"> ▪ Develop communications infrastructure plan ▪ Improve access to and from nearby metro areas
	<ul style="list-style-type: none"> ▪ Develop off-season options ▪ Build and leverage second-home owner base to stabilize tourism ▪ Improve facilities and options for business travelers
	<ul style="list-style-type: none"> ▪ Work with government officials to simplify and/or update rules and regulations to reflect cluster needs ▪ Designate or appoint personnel dedicated to assisting new businesses with regulatory process

SOURCE: Monitor Analysis

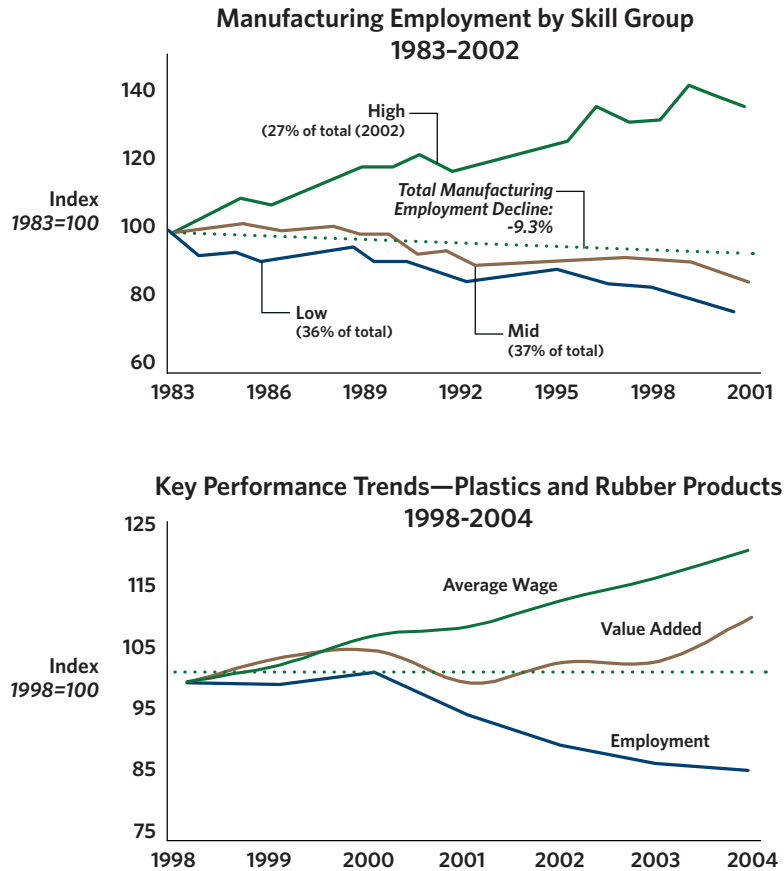
BERKSHIRE COUNTY'S PLASTICS CLUSTER

Plastics manufacturing has a long history in the Berkshires. More than a hundred years after the Electric Manufacturing Company (a predecessor of General Electric (GE)) began producing plastic components for electrical transformers in Pittsfield, plastics manufacturing and related businesses remain an important aspect of the County economy. While the Berkshires' Plastics cluster is no longer characterized by large-scale employers, as it was for much of the last century, today a diverse collection of firms continues to innovate, evolve, and contribute to the prosperity of Berkshire County.

The Berkshires Plastics cluster, like other manufacturing oriented clusters in the United States, faces a number of challenges. Among the most prominent is competition from lower-cost states and countries. These competitors derive advantage from the availability of key inputs – particularly labor, but also energy, real estate, and materials – at costs significantly below those attainable in the Berkshires. In the last decade this competition has driven many US and Berkshires firms out of commoditized product lines, and contributed to a widespread public perception that manufacturing employment is a less and less desirable career option.

Firms in the US and the Berkshires, however, have in many cases adapted to this new environment by pursuing innovation in their products and production processes, and by delivering superior service to local, national, and international customers. In so doing, manufacturers have developed differentiated positions in their markets and derived greater value from their inputs. Indeed, in the last 20 years the US manufacturing sector as a whole has experienced a substantial shift in the composition of its employment, such that the number of high-skilled workers has grown nearly 40%, while total employment in the sector has decreased by 10%. Average wages and value add, in turn, have also increased (see Exhibit 21). These trends indicate that by focusing on the high-value segment, manufacturing can continue to play an important role in the nation's economy. For the Berkshires, the Plastics cluster offers insights on the role of manufacturing the overall region.

Exhibit 21: Key US Manufacturing Trends



SOURCE: Bureau of Economic Analysis

The Berkshires Plastics cluster employed nearly 1,000 people in 2003 (traded employment). Plastics employment has remained relatively stable, with growth of only 0.78% from 1997-2003. During the same period, wages grew at an annual rate of 6.3%. The Berkshire’s performance in employment and wage growth places the County above most national leaders and regional neighbors, broadly speaking (see Exhibit 22).

National leaders such as Chicago, Los Angeles and New York tend to have employment bases that span the entire value chain. Global trends, however, have pushed employment in the lower skilled positions offshore, thereby eroding the employment growth in these regions. Regional neighbors have lost employment, but have nonetheless demonstrated strong wage growth. This wage growth can be attributed, in part, to the strength of clusters that require plastics-based inputs in these regions. For

example, Medical Devices in Boston and Aerospace Vehicles in Connecticut have increased the need for high value added plastics-based materials. Berkshire County is well positioned to link into such related and supporting clusters in nearby regions to continue to grow its Plastics cluster.

Exhibit 22: Relative Performance Against U.S. Clusters and Regional Neighbors

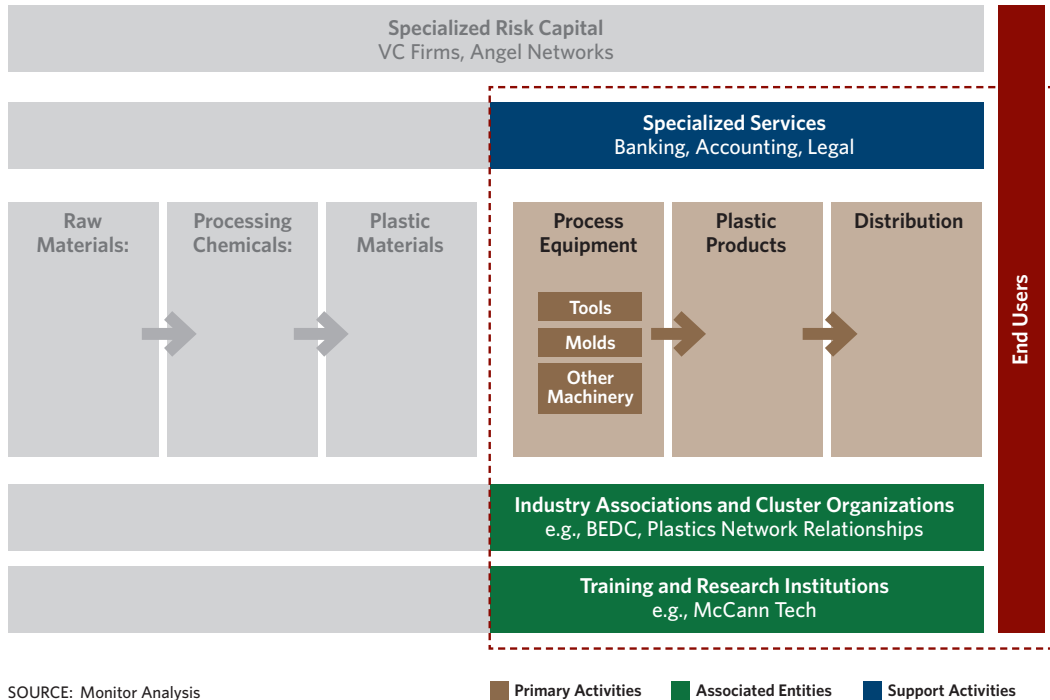
Geography	Total Employment 2003	Employment Growth 1997-2003	Establishment Growth 1997-2003	Average Wages 2003	Average Wage Growth 1997-2003
Berkshire County, MA	996	0.78%	-2.03%	\$49,570	6.27%
United States Total	758,164	-1.76%	-1.48%	\$37,014	2.88%
Massachusetts Total	16,386	-4.48%	-2.63%	\$48,884	3.28%
NATIONAL LEADERS					
Chicago, IL	43,507	-1.83%	-2.36%	\$37,577	2.94%
Los Angeles, CA	33,165	-2.31%	-2.67%	\$33,373	2.70%
New York, NY	30,182	-3.84%	-2.69%	\$34,620	2.66%
Detroit, MI	24,278	-2.57%	-4.56%	\$38,318	4.93%
Houston, TX	17,958	-0.46%	-1.72%	\$47,434	2.15%
REGIONAL NEIGHBORS					
Greater Boston, MA	2,255	-5.67%	-4.19%	\$52,468	4.25%
Worcester / Fitchburg, MA	6,239	-3.51%	-0.94%	\$46,482	3.47%
Providence, RI	5,381	-4.31%	-2.61%	\$35,471	2.44%
Albany, NY	4,405	0.36%	1.55%	\$33,951	6.13%

NOTE: Note: Narrow cluster definition; shading indicates regions that outperform Berkshire County; All or some of GE Plastics may not be included in Berkshire employment figures due to SIC/NAICS classifications

SOURCE: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School; County Business Patterns

Berkshire firms in the cluster are concentrated in the production of tools, molds, and finished products. This concentration distinguishes the Berkshires cluster from conventional plastics clusters, like those in Louisiana and New Jersey. Those conventional clusters comprise elements from across the plastics value chain, from raw materials to finished products, and typically develop in the presence of significant chemical and hydrocarbon-processing infrastructure. Today's focused Berkshires cluster, by contrast, grew out of the mold-making expertise developed at GE, and many firms that populate the cluster today draw on skilled workers and experienced managers once employed by GE (see Exhibit 23).

Exhibit 23: Berkshire Plastics Cluster



The competitiveness of the Plastics cluster depends upon the Berkshire business environment (see Exhibit 24). Among the strengths of the business environment are a legacy of collaboration and entrepreneurship (developed through the GE relationship), proximity to high-quality customers and suppliers in neighboring metropolitan areas, and a high quality of life that facilitates the retention of skilled workers.

In the past, firms in the Plastics cluster collaborated frequently through channels such as the Berkshires Plastics Network (BPN). Encompassing more than 40 companies at its peak, the BPN coordinated collaborative marketing, workforce development, and networking functions on behalf of its members. Though the BPN no longer exists, it remains a model of the efficiencies and benefits available through intra-cluster collaboration. This legacy of cluster cooperation can provide a foundation for future efforts.

Exhibit 24: Berkshires Plastics Cluster Business Environment

- ADVANTAGES**
- High quality of life facilitates attraction and retention of skilled workforce
 - Presence of educational programs that have been or can be aligned with cluster needs
 - e.g., McCann Tech, BCC

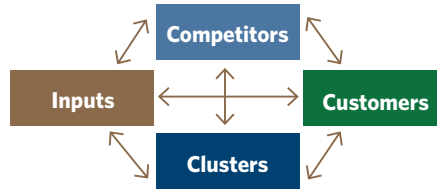
- DISADVANTAGES**
- Limited supply of skilled workers and qualified managers
 - Aging population
 - Net loss of young talent
 - Insufficient support for training and apprenticeship programs
 - Relatively high cost of doing business (compared to national and global competitor regions)
 - High energy costs
 - High land value
 - Limited available land for development

ADVANTAGES

- Legacy of corporate HQs (GE Plastics) provide basis for entrepreneurship and firm development
- History of interaction with the Berkshires Plastic Network

DISADVANTAGES

- Firms currently do not collaborate in a consistent, formal manner



ADVANTAGES

- Cluster presence, through both large corporate facilities and specialized firms
- Ability to leverage regional clusters (e.g., Boston, Albany, Springfield, etc.)

DISADVANTAGES

- Low density limits ability to develop local specialized suppliers and service firms

ADVANTAGES

- Proximity to large successful metropolitan areas with sophisticated customers and clusters (e.g., Boston, New York)

DISADVANTAGES

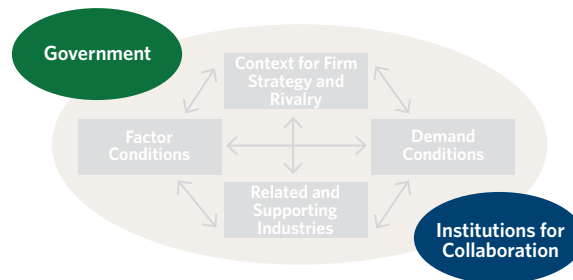
- Limited pool of local customers to offer feedback and spur product development

ADVANTAGES

- Support for manufacturing is a prominent concern for government leaders
- Presence of corporate HQs provides increased cluster awareness

DISADVANTAGES

- Lack of alignment between regulatory incentives and business needs creates barriers to growth
- High tax structure impedes growth and competitiveness



ADVANTAGES

- Legacy of cooperation through the Berkshires Plastic Network (BPN)
- Informal networks within the community of business leaders

DISADVANTAGES

- Decline in formal collaboration due to inadequate funding and lack of dynamic leadership

Perhaps the most critical element of the business environment is the availability of skilled workers. Without an adequate supply of qualified labor, firms can neither support growth into new product lines nor refine their existing processes in order to increase productivity. Clearly, to keep pace with the move of the US manufacturing sector towards high-value market positions, and to compete against robust low-cost competition, the Berkshires Plastics cluster requires a highly-trained workforce.

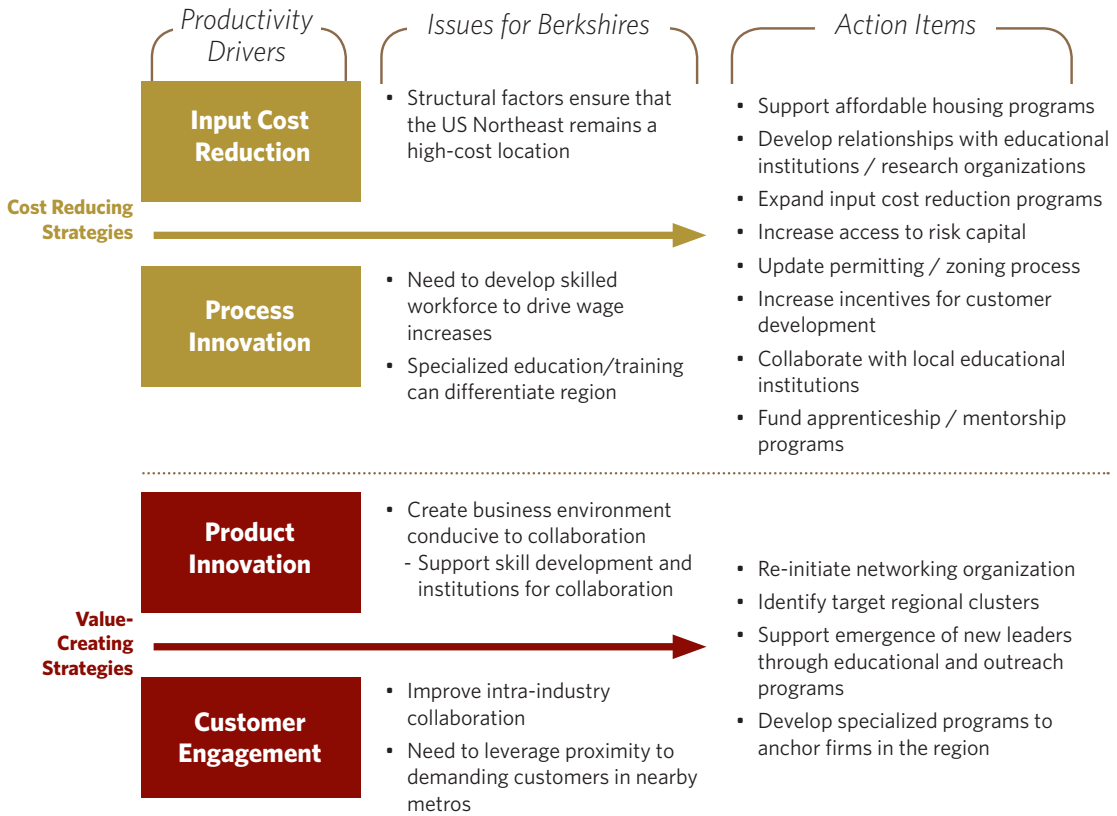
The cluster can support the availability of skilled employees by revitalizing and expanding collaboration with, and support of, local and regional training institutions. Undertaking an assessment of cluster needs, and clearly communicating those needs to programs at Berkshire Community College, McCann Tech, and similar institutions in the Hudson and Pioneer Valleys will increase the ability of the regional labor market to meet the cluster's employment requirements. Further, the cluster should conduct outreach to Berkshire schools in order to communicate the opportunities offered by local manufacturing firms to young adults. Finally, the cluster has an opportunity to attract qualified workers from outside by supporting efforts to promote the economic opportunity and quality of life available in Berkshire County.

A second element of the Berkshires Plastics Cluster business environment is the proximity of County manufacturers to sophisticated customers and suppliers in Boston, New York City, and other regional metropolitan centers. Some Berkshires Plastics manufacturers have taken advantage of this proximity to collaborate closely in meeting the exacting standards of high-tech industries like biomedical devices; others have created advantage against more distant low-cost competitors by offering their regional customers reliable just-in-time delivery and inventory management. The cluster as a whole should continue to develop the advantages of its proximity to major metro areas by developing formal channels for interaction with targeted customer clusters. This asset should also inform marketing materials and recruiting efforts.

To support future growth, cluster firms require a supply of appropriate commercial real estate at reasonable cost. Historically, a burdensome regulatory environment and onerous permitting process have added unnecessary cost to firm expansion and relocation. While it is important to preserve the physical environment that is integral to the Berkshires identity, it is possible to do so while updating the regulatory environment to be more conducive to growth and prosperity. The Pittsfield Economic Development Authority is currently working to address this need through projects such as the William Stanley Business Park, located in downtown Pittsfield at the historic GE plant site.

Most fundamentally, the Plastics cluster must re-establish formal institutions for collaboration in order to pursue these initiatives and other common objectives collaboratively. With adequate funding, a re-constituted Berkshire Plastics Network or similar entity can offer considerable benefits to the cluster and to the community at large. Among its priorities should be the cultivation of younger business and community leaders, through outreach and mentorship efforts. As an older cohort of business owners approaches retirement, it is important that their successors demonstrate an equal level of commitment to the well being of the Berkshire community, and to the needs of the Plastics cluster (see Exhibit 25).

Exhibit 25: Drivers of Manufacturing Productivity Growth



The Berkshires are just now emerging from a long economic slump that began in the 1980s with the massive downsizing of firms like Sprague and GE. The main driver of the regions slow recovery has been growth in the Hospitality & Tourism cluster, based principally on the region's rich set of cultural attractions set amidst its natural beauty. While critical to the future economy of the Berkshires, Hospitality & Tourism alone will be insufficient. The region will need a long-term strategy that develops additional engines of growth.

In crafting a long-term strategy, the challenge is not to imitate other successful regions, be it by developing extensive high-end tourist facilities to match an Aspen, or by enhancing research and technology transfer to emulate a Research Triangle. Rather, the Berkshires need to develop a differentiated alternative based on the region's unique mix of strengths and challenges. Furthermore, the County must ensure that its long-term strategy will both attract new companies, and also enable local firms to remain in the region and continue to grow.

STRENGTHS

Berkshire County has a number of key strengths—shown in Exhibit 26—to draw upon in developing and implementing a strategy.

Exhibit 26: Key Strengths of Berkshire County

Economic Composition	<ul style="list-style-type: none">▪ Well-established Hospitality & Tourism and hospitality cluster▪ Legacy of manufacturing-oriented clusters (Forest Products, Plastics, Defense, etc.)
Location and Quality of Life	<ul style="list-style-type: none">▪ Attractive and differentiated quality-of-life<ul style="list-style-type: none">- Well-established regional cultural institutions- Abundant natural amenities- Proximity to major metropolitan areas- Enhances quality of life- Provides access to assets (e.g., customers, capital, research, education, etc.)
Human Resources	<ul style="list-style-type: none">▪ Good current talent-base in legacy manufacturing clusters
Costs and Infrastructure	<ul style="list-style-type: none">▪ Compared to the US Northeast, a relatively lower cost of doing business▪ Interstate access with regional major metropolitan areas▪ Increasing availability of broadband internet access in commercial areas
Entrepreneurship	<ul style="list-style-type: none">▪ Second home-owners start / bring new businesses in region▪ Relatively easy access to capital in nearby New York and Boston
Research Institutions	<ul style="list-style-type: none">▪ Local colleges and universities in region seeking to make investments in research▪ Nearby research institutions such as UMASS, RPI, and even MIT
Capacity for Action	<ul style="list-style-type: none">▪ Several existing institutions for collaboration▪ Business leaders demonstrate willingness and capability to contribute▪ Good community support for economic and cultural improvements▪ Increasing North, Central, South collaboration

CHALLENGES

At the same time, Berkshire County faces a number of significant challenges—which are listed in Exhibit 27—in these same areas of the economy.

Exhibit 27: Key Challenges for Berkshire County

Economic Composition	<ul style="list-style-type: none">▪ Shrinking employment in historic manufacturing clusters▪ Hospitality and Tourism not a strong driver of higher wages
Location and Quality of Life	<ul style="list-style-type: none">▪ Small local workforce creates significant inefficiencies in a specialized economy▪ Limited lifestyle options for younger population
Human Resources	<ul style="list-style-type: none">▪ Declining younger population<ul style="list-style-type: none">- Best and brightest likely over-represented in out-migration▪ Aging population<ul style="list-style-type: none">- Losing the high-skilled manufacturing labor force
Costs and Infrastructure	<ul style="list-style-type: none">▪ High costs relative to the US South and developing countries abroad▪ Incomplete communications access (cell phone, broadband internet)▪ Poor intraregional north-south transportation connections▪ Extremely limited air service
Entrepreneurship	<ul style="list-style-type: none">▪ Relatively few forums supporting entrepreneurship▪ Little local (Berkshire County) risk capital▪ Limited networking organizations to support new entrepreneurs
Research Institutions	<ul style="list-style-type: none">▪ Limited technical and training capabilities at local colleges and universities▪ Few specialized research centers
Capacity for Action	<ul style="list-style-type: none">▪ Lack of clearly-articulated regional economic development strategy▪ Limited government responsiveness at the state level

DIFFERENTIATING STRENGTHS AND CHALLENGES

While it is useful to bear in mind these long lists of strengths and challenges, it is still necessary to distill these to the critical few (see Exhibit 28). The major strengths that really differentiate Berkshire County from other regions of the country (and indeed the world) are its quality of life and location. The Berkshires have a distinct quality of life (high culture in a beautiful rural setting,

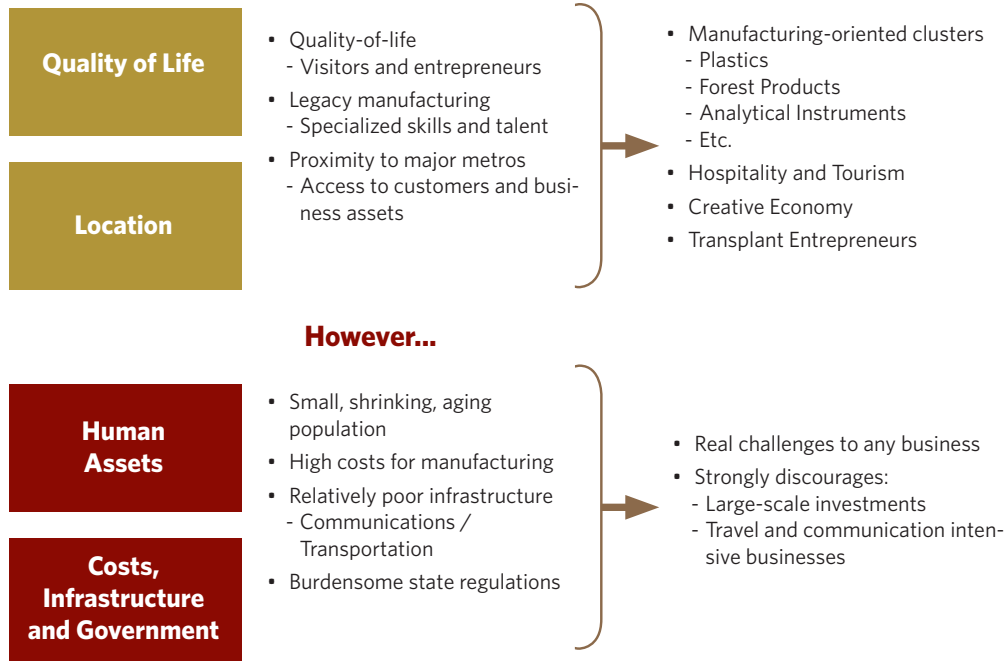
but still close to major cities) and benefit from being the location where world class manufacturing companies (Sprague, GE, General Dynamics, Crane, etc) grew-up. Virtually every executive interviewed in the process highlighted one or more of these assets as the reason they kept their company in, or brought their company to, the region. Any successful strategy for the region must preserve, and build on these assets.

The County’s principal differentiating challenges are associated with human assets and the burden of doing business. In particular:

- The small and shrinking population;
- High costs for manufacturing;
- Relatively poor transportation and communication infrastructure; and
- Burdensome state regulations

These are issues that can be addressed, and to some extent ameliorated. However, they are unlikely to be eliminated. Population in the Berkshires is shrinking, whereas it is growing for the US as a whole. The Berkshires can narrow this population gap, but it is doubtful they can close it. Costs and government regulations can be eased, but the Berkshires are not going to match what states in the American South, let alone the developing world, can offer companies in these areas. An effective strategy must recognize and accommodate these constraints.

Exhibit 28: Key Strengths and Challenges of Berkshire County

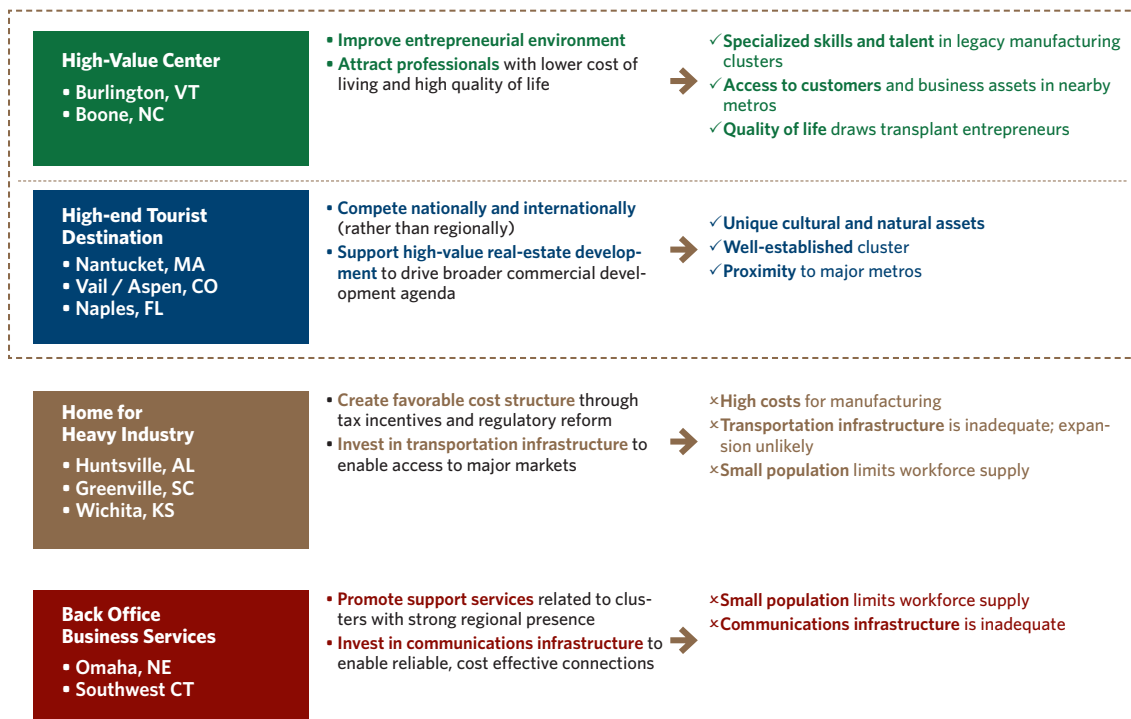


OPPORTUNITIES FOR RURAL REGIONS

While economic development strategies that have been effective in metropolitan regions may be less relevant, successful strategies for other rural regions may offer guidance and lessons learned for the Berkshires. Four examples illustrate how other low population density regions have leveraged their specific assets to new economic visions (see Exhibit 29):

- Some regions, such as Burlington, VT and Boone, NC, have succeeded in upgrading traditional manufacturing economies through process or product innovation. This **“High-Value Center”** strategy requires a focus on developing a more entrepreneurial business environment and relies on quality of life to draw new businesses to the region.
- Another successful strategy is the **“High-end Tourist Destination,”** which has been pursued by regions with natural amenities that are recognized in both national and international markets. Such amenities could include high-end ski resorts as in the case of Aspen / Vail, CO or pristine beaches as seen in Naples, FL and Nantucket, MA. In these regions, high-value residential real estate provides leverage to drive broader commercial development agenda.

Exhibit 29: Strategies Taken By Low Population Density Areas



- Other successful regions have established themselves as a **“Home for Heavy Industry,”** enabling manufacturing operations through a favorable cost structure. Through proactive measures such as tax incentives, regulatory reform and the development of transportation infrastructure, Greenville, SC, and Wichita, KS have successfully established themselves as regional industrial centers.
- **“Back Office Business Services”** is another strategy that has proved to be successful. Omaha, NE and Southwest CT have developed a strong presence in business services by providing lower cost business support services for nearby related clusters (e.g., financial services). Successful execution of this strategy requires both high-quality communications infrastructure to facilitate data transfer as well as expertise in data processing.

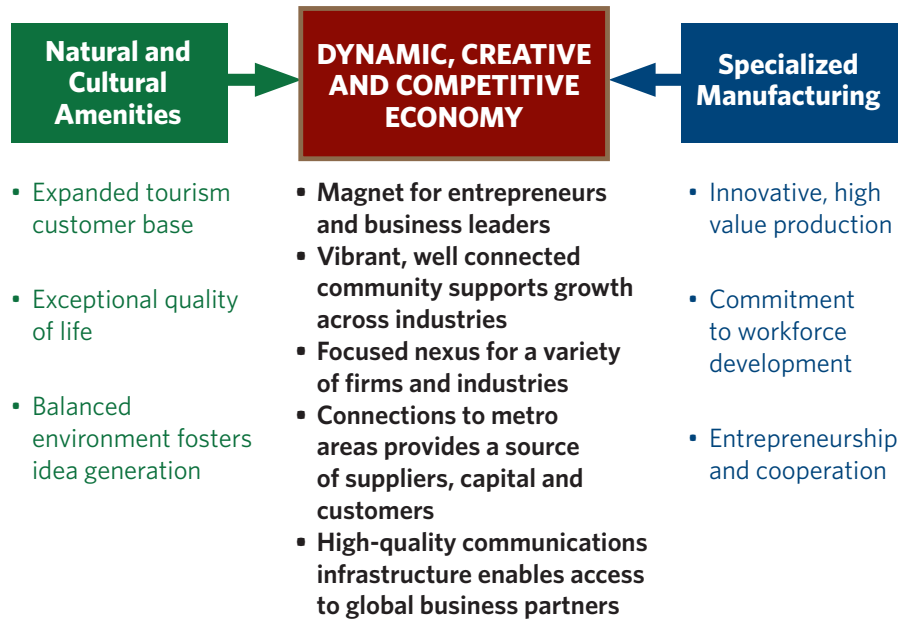
AN ECONOMIC VISION FOR BERKSHIRE COUNTY

Based on the differentiating strengths and challenges of Berkshire County, a positioning closer to the “High Value Center” and “High-End Tourist Destination” types is most appropriate. More specifically, we recommend that the Berkshires strive to become a more dynamic, creative and competitive economy (see Exhibit 30).

Such an economy would consist of the Berkshires:

- Becoming a magnet for entrepreneurs and business leaders, attracting experienced and ambitious executives to manage and build local companies;
- Developing a vibrant, well connected community that turns the County’s small size into an advantage by more effectively linking regional assets with the firms that need them;
- Becoming a nexus for a variety of firms and industries, rather than rely on one engine of growth such as manufacturing or tourism;
- Connecting to nearby metros to enable companies to locate in the Berkshires, but still access the assets of the big cities (e.g., suppliers, capital, customers, expertise, etc.);
- Installing a high-quality communications infrastructure to enable access to global business partners

Exhibit 30: New Economic Vision for Berkshire County



NEW STRATEGIC DIRECTIONS AND KEY ISSUE AREAS

This vision is the target at which economic development strategy and actions should aim. In order to realize this new vision, Berkshire County will need to shift their traditional strategy and move in four new directions (see Exhibit 31).

For decades, regions in Berkshire County were essentially “one company” towns. In North County, Sprague Electric was the dominant employer and economic driver, whereas in Central County it was General Electric. After those firms downsized dramatically in the 1980s, large-scale tourism institutions assumed the “one company” mantle. The Massachusetts Museum of Contemporary Art (MassMOCA) opened in North Adams in the 1990s, and Tanglewood—summer home of the Boston Symphony—became the economic driver in Central County. Even today, vestiges of this attitude are apparent when critics dismiss an economic development idea (e.g., more entrepreneurship, or growth in tourism) as insufficient to the needs of the region.

Exhibit 31: New Directions for the Berkshires



This attitude and approach must change. In the future, no one engine will be sufficient to meet the needs of the county. Many clusters, companies, and economic engines will be needed to boost prosperity for all of the region's citizens. The County's economic strategy must account for this.

A second traditional tendency of economic development in the Berkshires was to provide relatively undifferentiated labor to local companies. There were always enough workers to man the assembly lines and to staff the hotels. In the past this seemed to work, perhaps because the large companies and institutions could afford to invest in good training programs. In the future, however, the community will need to do a better job of producing well educated workers with specialized skills. Small and entrepreneurial firms simply cannot afford to train people before putting them to work. Moreover, the pressures of global competition will increasingly push US firms into higher-end, innovative, and differentiated products and services, which can only be delivered by highly skilled workers.

A third component of the Berkshires' traditional strategy was to foster greater collaboration across the various towns and communities within the County. For years, there had been marked rivalries between various towns and parts of the County. Organizations did not always cooperate effectively

with each other. Rather than focusing on growing the county pie, there was competition over division of the spoils. Over the last 10 year, or so, these rivalries have been mitigated, and strong collaboration is now the norm. The new Berkshires economic strategy must certainly continue this trend of cooperation. We would also encourage the County to extend this spirit beyond its political boundary.

Companies in clusters (i.e., dense geographic concentrations of firms and organizations in the same line of business) tend to be more successful than isolated companies because they can draw on a rich set of human, knowledge, financial, customer, and other assets. Berkshire County, being a relatively rural locale, lacks such rich sets of assets. However, nearby cities like Albany, Springfield, Hartford, Boston, and New York have those assets. Economic activity does not stop at political borders, and the Berkshires economic strategy should work to overcome the inevitable weaknesses associated with being a low population region, by reaching out to, and accessing the assets in, these nearby metros.

Finally, the Berkshires should continue to leverage its high quality of life in its economic development strategy. This has been an important part of its past strategy, and it must remain a centerpiece of its new one. In addition to leveraging the local quality of life to attract visitors and large firms, the new strategy should also seek to recruit people and talent.

In order to move in these new strategy directions, we suggests six distinct issue areas for Berkshire County to focus on:

- **Address the drivers of population loss.** Develop segment-specific strategies for retaining and attracting residents.
- **Align education and training programs with cluster needs.** Upgrade the quality of workforce training and development programs so that these become a competitive advantage for the regional economy.
- **Invest in high-quality infrastructure.** Expand access to residential and commercial real estate, upgrade communication capabilities, and improve transportation infrastructure.
- **Support cluster collaboration programs.** Support regional cluster activation, build networking organizations and assist in addressing funding needs
- **Support entrepreneurship and innovation.** Create a premier location for innovation and new firm creation by both encouraging entrepreneurship and innovation from local residents and attracting aspiring entrepreneurs from outside the region
- **Launch internal and external marketing campaigns.** Improve internal and external perception of the Berkshires by communicating new messages about the region's differentiated tourism assets and the prosperity created by its multi-faceted, entrepreneurial economy.

Please see Appendix A for a detailed set of initial recommendations for how the Berkshires can make progress in each of these issue areas.

BERKSHIRES STRATEGY PROJECT ORGANIZING STRUCTURE

6

To execute on the proposed strategy to upgrade the Berkshire business environment, an organizing structure—a group of civic leaders and a set of processes to encourage timely action—is necessary to guide and align the various tactical efforts of the prioritized campaigns (see Appendix B for a more detailed description of how regions can best organize for implementation).

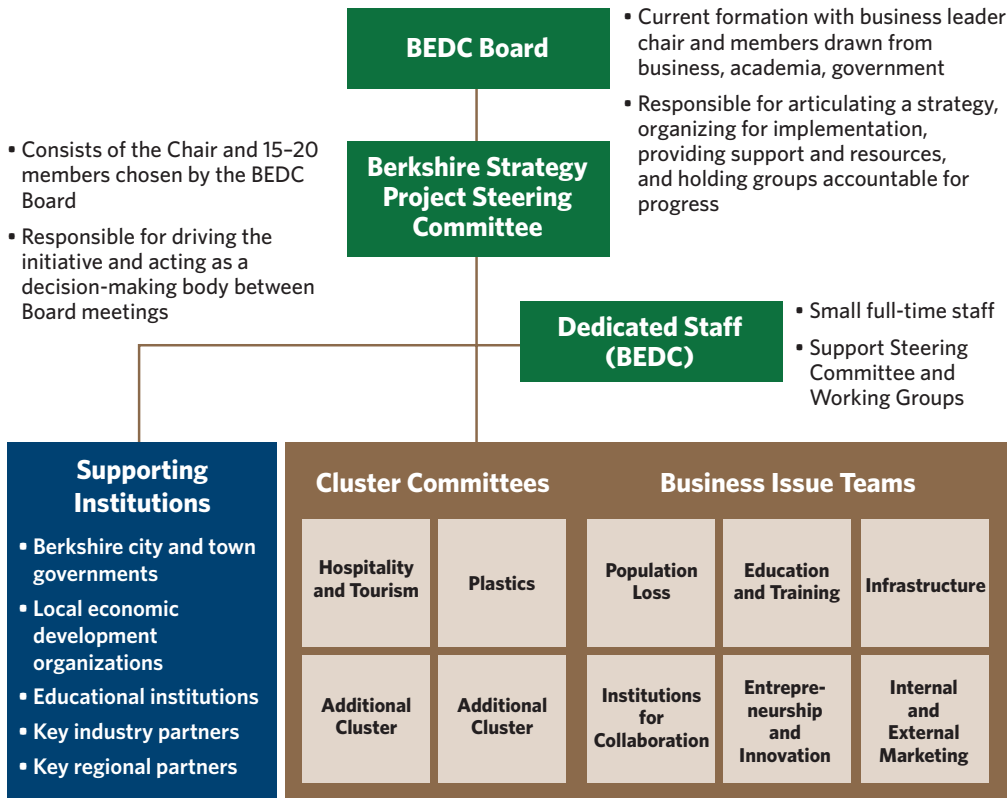
At the core of this structure is a coordinating body which will drive the long-term implementation of the shared economic strategy for the region. This body will convene working groups for each of the six prioritized campaigns, beginning with the recruitment of a chair for each group. Other individuals with relevant expertise or implementation experience would then be chosen to fill out the working group membership. Each group will be responsible for: 1) defining its mission and objectives; 2) developing a specific action agenda with objectives and initiatives; 3) dividing responsibility among individuals and organizations; 4) helping to identify appropriate metrics and timelines to track progress; 5) interacting and cooperating with other working groups as needed; and 6) reporting progress to the coordinating body at regular intervals.

The coordinating body will maintain accountability for working group progress, as well as offer guidance and serve as a sounding board when necessary. In addition, the coordinating body holds responsibility for ensuring that the individual working groups are contributing and forwarding the key tenets of the long-term economic strategy. It is important then, that members of the coordinating body be drawn from the top levels of business, government, and academia in order to effectively motivate and activate the working groups.

To facilitate the day-to-day activities of the overall initiative, and to provide decision-making capabilities between meetings, a steering committee will be formed. In addition, a dedicated staff is necessary to ensure an adequate amount of resources is available to support the effort.

To the extent possible, membership from the coordinating body and working groups should leverage the existing Berkshire economic development infrastructure and include relevant regional assets. This will ensure alignment of the various efforts and the efficient allocation of resources. To that end, the Berkshire Economic Development Corporation (BEDC), an entity formed specifically to drive the economic prosperity of the region, will take leadership of the Berkshires Strategy Project and provide dedicated staffing resources. The Board of the BEDC will serve as the driving force behind project implementation, and key Board members should also serving on the *Berkshires Strategy Project* Steering Committee (see Exhibit 32).

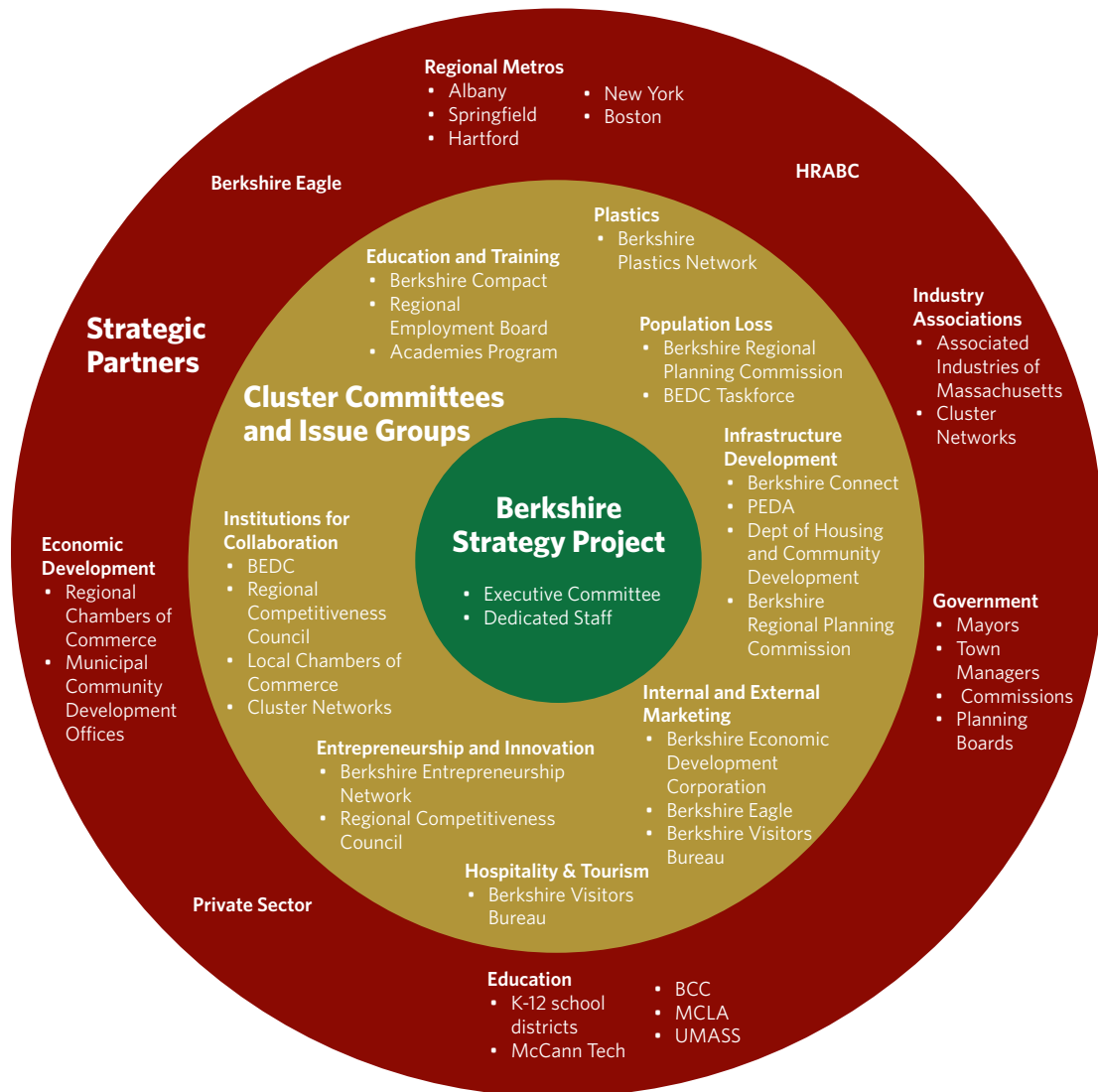
Exhibit 32: Berkshires Strategy Project Organizing Structure



A Networked Organization

Membership for the organizational structure should be drawn, as much as possible, from the existing economic development infrastructure. Exhibit 33 illustrates this networked organization. The core entity is the convening Body including the executive committee and dedicated staff. Cluster and business issue working groups will be staffed by representatives from existing organizations. For example, the Education and Training Working Group will leverage the resources of Berkshire Compact (which represents the primary and secondary educational assets in the region), Berkshire Regional Employment Board (to connect students to jobs) and the Academies Program (designed to align business needs and student training). Strategic Partners fill out the organization support system by providing additional expertise and feedback as needed. This networking of resources helps bring the disparate interests into alignment and eliminates the duplication of efforts and resources.

Exhibit 33: A Networked Organization



MISSIONS, OBJECTIVES, AND ACTIVITIES OF THE BERKSHIRES STRATEGY PROJECT, WORKING GROUPS AND CLUSTER COMMITTEES

To implement a new vision for Berkshire County, working groups should be established around each of the six prioritized issues as well as for any cluster focused activities. Each of these groups will discuss, amend, and ratify the mission, objectives and activities and set a timeline for implementation and progress (see Exhibit 34).

Exhibit 34: Cluster Committees and Working Groups



BERKSHIRES STRATEGY PROJECT

Mission

The Berkshires Strategy Project will boost innovation and competitiveness in the Berkshire region by upgrading the quality of the business environment and organizing companies and institutions to take action and better collaborate on common challenges and opportunities

Objectives

- Articulate a coherent strategy, including priority clusters and business issues for focused attention, and help maintain continuity of the strategy over the long-term
- Establish clear objectives, action plans, responsibilities, and timelines for implementation; measure and hold personnel and organizations responsible for progress
- Encourage the numerous stakeholders in the region (private sector, government, academia, economic development organizations) to align their efforts with the strategy
- Communicate objectives and achievements with public to achieve a truly shared economic vision; integrate public opinion into strategy and implementation plan
- Communicate vision to external market to drive increased awareness of opportunities available in the Berkshire region

Metrics and Milestones

In pursuit of its core mission and objectives, the Berkshires Strategy Project will look to improve economic performance across the following metrics (see Exhibit 35):

Exhibit 35: Suggested Metrics for the Berkshires Strategy Project

Targeted Dimensions	Suggested Metrics
Overall Economic Prosperity	<ul style="list-style-type: none"> ▪ Average wages and wage growth ▪ Per capita income and income growth
Job Creation	<ul style="list-style-type: none"> ▪ Employment growth ▪ Unemployment rate ▪ Labor participation rate
Innovative Capacity	<ul style="list-style-type: none"> ▪ Venture capital invested per worker ▪ Patents issued per worker ▪ Number of start-up businesses
Workforce Availability	<ul style="list-style-type: none"> ▪ Population growth and demographic changes ▪ Job vacancy rates ▪ Revisited survey questions
Cluster Activation and Development	<ul style="list-style-type: none"> ▪ Employment growth and share in selected clusters ▪ Number of companies participating in cluster organization efforts
Community Perceptions	<ul style="list-style-type: none"> ▪ Revisited survey questions, especially around job opportunities, workforce availability, cluster collaboration

To accomplish these goals, the Berkshires Strategy Project must immediately focus on establishing the long-term steering committee and activating the relevant working groups. In the longer-term, each working group will need to focus on achieving quick wins, implementing activities and reporting results to the organizing structure.

POPULATION LOSS WORKING GROUP

Mission

Stabilize and reverse the loss of population in Berkshire County

Objective and Activities

In pursuit of its mission, the Population Loss Working Group's primary objectives and responsibilities are:

- Ensure an accurate population count in 2010
 - Identify drivers of census calculation
 - Organize corresponding individuals and community to participate fully in census count
- Launch a sophisticated marketing campaign to attract and retain talent
 - Segment population to identify target demographic groups (e.g., younger population and families)
 - Organize focus groups and facilitate discussion around key topics
 - Identify drivers of exit and entrance
 - Develop messages and identify communication channels
 - Deliver messages, monitor impact, and adjust messaging as appropriate
- Liaise with other task forces and regional stakeholders to implement developed strategies
 - Develop marketing campaigns to communicate key regional assets (e.g. quality of K-12 education, quality of life, breadth of employment opportunities, vibrancy of downtown centers, safety)
 - » Target key population / demographic groups
 - Ensure availability of key infrastructure (e.g. income-appropriate housing stock)

Metrics and Milestones

In order to attach timing to the abovementioned activities and measure their impact, the following metrics will be tracked (see Exhibit 36):

Exhibit 36: Population Loss Working Group Suggested Metrics and Milestones

Objective	Activity	Suggested Metrics and Milestones	Source of Data
Objective #1: Ensure an accurate population count in 2010	<ul style="list-style-type: none"> Identify drivers of census calculation Organize corresponding individuals and community to participate fully in census count 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> Identification of top 5 drivers of census calculation Plan to improve measurement / organize community <p><i>Long-term</i></p> <ul style="list-style-type: none"> Close 75% of gap between reported census count and actual population 	<ul style="list-style-type: none"> Loss of Population Working Group Regional Planning Commission Census data Survey
Objective #2: Launch a sophisticated marketing campaign to attract and retain talent	<ul style="list-style-type: none"> Segment population to identify target demographic groups (e.g., younger population and families) Organize focus groups and discuss key topics Identify drivers of exit and entrance Develop messages and identify communication channels Deliver messages, monitor impact, and adjust as needed 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> Identification of target demographic groups and growth targets Number of focus groups to study issues Prioritization of top 5 drivers of exit and entrance <p><i>Long-Term</i></p> <ul style="list-style-type: none"> Increase in population growth (annual %) Increase in pool and quality of potential workers (annual %, survey results) 	<ul style="list-style-type: none"> Loss of Population Working Group Regional Planning Commission BEDC Census data Survey
Objective #3: Liaise with other task forces and regional stakeholders to implement developed strategies	<ul style="list-style-type: none"> Develop marketing campaigns to communicate key regional assets Ensure availability of key infrastructure 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> Data-driven prioritization of key issues Alignment of efforts with Internal and External Marketing Working Group Identification of target number of recruits <p><i>Long-Term</i></p> <ul style="list-style-type: none"> Successfully achieve targeted recruiting numbers Percentage of population aware of campaigns Construction of necessary infrastructure 	<ul style="list-style-type: none"> BEDC Internal and External Marketing Working Group Infrastructure Working Group

EDUCATION AND TRAINING WORKING GROUP

Mission

Support regional economic development by ensuring the alignment of educational and training programs with regional employment opportunities and cluster needs

Objectives and Activities

In pursuit of its mission, the Education and Training Working Group's primary objectives and responsibilities are:

- Support efforts of Berkshire Compact
 - Align Working Group efforts with goals of Berkshire Compact
 - » Raise the aspirations of all Berkshire County residents to view 16 years of education, or greater, as the accepted educational norm
 - » Improve access to education, training, and lifelong learning
 - » Make Berkshire County a competitive location for the new technology and knowledge-based economy; make Berkshire County residents among the most technologically educated population in New England
 - » Develop a new “social contract” among employers, employees, and educational institutions that encourages and promotes learning, earning, and civic engagement
 - Ensure the availability of training programs to support the development of skills that are in demand
 - » Organize with employers / key clusters to identify near and long-term workforce priorities
 - » Encourage industry-sponsored programs, internships
 - » Align educational programs at local colleges and trade schools with cluster needs
 - » Improve access to educational and training programs
- Develop regional alliances for cluster specific educational programs
 - Align curricula of regional educational institutions (community colleges, tech colleges, and universities) with the research and talent needs of local, emerging and targeted businesses / clusters (e.g., MCLA, BCC, RPI, UMASS)
 - Identify regional cluster workforce needs and build relationships cluster counterparts in regional metropolitan areas (e.g., Albany, Springfield)
- Support development of next generation of local business leaders
 - Develop processes for identifying and recruiting next generation of business leaders
 - Create and support a training program for next generation leaders
- Create internship and mentoring opportunities for outstanding students and younger professionals

Metrics and Milestones

In order to attach timing to the abovementioned activities and measure their impact, the following metrics will be tracked (see Exhibit 37):

Exhibit 37: Education and Training Working Group Suggested Metrics and Milestones

Objective	Activity	Suggested Metrics and Milestones	Source of Data
Objective #1: Support efforts of Berkshire Compact	<ul style="list-style-type: none"> Align Working Group efforts with goals of Berkshire Compact: <ul style="list-style-type: none"> Raise the aspirations of all Berkshire County residents to view 16 years of education, or greater, as the accepted educational norm Improve access to education, training, and lifelong learning Make Berkshire County a competitive location for the new technology and knowledge-based economy; make Berkshire County residents among the most technologically educated population in New England Develop a new “social contract” among employers, employees, and educational institutions that encourages and promotes learning, earning, and civic engagement Ensure the availability of training programs to support the development of skills that are in demand 	<i>Short-term</i> <ul style="list-style-type: none"> As determined by Berkshire Compact Identification of key workforce priorities 	<ul style="list-style-type: none"> Berkshire Compact Education and Training Working Group
		<i>Long-term</i> <ul style="list-style-type: none"> As determined by Berkshire Compact Test scores and graduation rates for K-12 schools Number of residents with higher education degrees Growth in graduates with specialized skills Increase in preparedness of workforce (survey) Survey responses (increase in % of respondents in agreement with “Sufficient pool of skilled labor” and “Ample supply of qualified scientists and engineers”) 	<ul style="list-style-type: none"> Berkshire Compact Local School Districts / Colleges / Universities Survey
Objective #2: Develop regional alliances for cluster specific educational programs	<ul style="list-style-type: none"> Identify regional cluster workforce needs and build relationships with cluster counterparts in regional metropolitan areas Align curricula of regional educational institutions with the research and talent needs of local, emerging and targeted businesses / clusters 	<i>Short-term</i> <ul style="list-style-type: none"> Create Regional Committee for workforce / education development / identify relevant regional participants 	<ul style="list-style-type: none"> Berkshire County Regional Employment Board Regional Committee Local colleges / universities Survey
		<i>Long-term</i> <ul style="list-style-type: none"> Number of cluster specific academic programs in regional educational programs Survey responses (increase in % of respondents in agreement with “Specialized facilities for research” and “Advanced educational programs available”) 	
Objective #3: Support development of next generation of local business leaders	<ul style="list-style-type: none"> Develop processes for identifying and recruiting next generation of business leaders Create and support a training program for next generation leaders Create internship and mentoring opportunities for outstanding students and younger professionals 	<i>Short-term</i> <ul style="list-style-type: none"> Number of programs linking schools with cluster development efforts Number of local internship opportunities for students 	<ul style="list-style-type: none"> Berkshire County Regional Employment Board Local colleges / universities Local school districts Federal and state education sources
		<i>Long-term</i> <ul style="list-style-type: none"> Test scores and graduation rates for public schools Post graduation regional retention rate 	

INFRASTRUCTURE WORKING GROUP

Mission

Increase the overall attractiveness of the Berkshires and enhance the quality of life for all residents by improving lifestyle options, upgrading educational facilities, expanding access to residential and commercial real estate and improving communication capabilities

Objectives and Activities

In pursuit of its mission, the Infrastructure Working Group's primary objectives and responsibilities are:

- Support downtown development and create 'lifestyle' opportunities for existing and incoming residents
 - Support efforts to expand the availability of quality housing across a range of incomes in both downtown and peripheral residential areas (leverage federal redevelopment grants and programs as appropriate)
 - Develop long-term vision and plan to guide development projects in downtown areas
- Upgrade local educational facilities (physical and technological)
 - Improve educational facilities by upgrading physical infrastructure and installing other amenities to create a better learning environment
 - Establish a more effective and broad-based technological infrastructure
- Ensure the availability of commercial real estate that meets the needs of new and existing firms
 - Engage with business owners and decision makers to assess needs
 - Implement regulatory and planning changes to reflect needs of business and community
 - Create a marketing program to increase awareness of existing options
- Acquire communication capabilities (cell phone and internet access) consistent with expectations of business partners
 - Identify and fill cell phone gaps throughout the region
 - Address 'last-mile' problem in internet connectivity

Metrics and Milestones

In order to attach timing to the abovementioned activities and measure their impact, the following metrics will be tracked (see Exhibit 38):

Exhibit 38: Infrastructure Working Group Suggested Metrics and Milestones

Objective	Activity	Suggested Metrics and Milestones	Source of Data
Objective #1: Support downtown development and create 'lifestyle' opportunities for existing and incoming residents	<ul style="list-style-type: none"> Support efforts to expand the availability of quality housing across a range of incomes in both downtown and peripheral residential areas (leverage federal redevelopment grants and programs as appropriate) Develop long-term vision and plan to guide development projects in downtown areas 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> Regional/ Downtown development plans <p><i>Long-term</i></p> <ul style="list-style-type: none"> Number of low-income and high-end housing units Increase in downtown traffic, retail receipts and tax revenue 	<ul style="list-style-type: none"> City / Mayor's office Development groups Regional Planning Commission
Objective #2: Upgrade local educational facilities (physical and technological)	<ul style="list-style-type: none"> Improve educational facilities by upgrading physical infrastructure and installing other amenities to create a better learning environment Establish a more effective and broad-based technological infrastructure 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> Identification of priority needs <p><i>Long-Term</i></p> <ul style="list-style-type: none"> Number of new facilities constructed Investment spent on upgrades / technology State ranking in investment per student 	<ul style="list-style-type: none"> Local school districts Berkshire Compact
Objective #3: Ensure the availability of commercial real estate that meets the needs of new and existing firms	<ul style="list-style-type: none"> Engage with business owners and decision makers to assess needs Implement regulatory and planning changes to reflect needs of business and community Create a marketing program to increase awareness of existing options 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> Commercial vacancy rate (reduction in rate) <p><i>Long-Term</i></p> <ul style="list-style-type: none"> Investment in new commercial space Number of companies relocating to previously vacant areas 	<ul style="list-style-type: none"> BEDC Berkshire Chamber of Commerce PEDA Survey
Objective #4: Acquire communication capabilities (cell phone and internet access) consistent with expectations of business partners	<ul style="list-style-type: none"> Identify and fill cell phone gaps throughout the region Address 'last-mile' problem in internet connectivity 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> % of county with cell phone coverage <p><i>Long-Term</i></p> <ul style="list-style-type: none"> Number of homes without high-speed internet access Investment spent on upgrades / technology 	<ul style="list-style-type: none"> Berkshire Connect Cell phone service providers Survey

INSTITUTIONS FOR COLLABORATION WORKING GROUP

Mission

Support regional cluster activation, build networking organizations and assist in funding needs

Objectives and Activities

In pursuit of its mission, the Institutions for Collaboration Working Group's primary objectives and responsibilities are:

- Serve as nexus for coordination and implementation of BSG initiatives
 - Align Working Group efforts with goals of Berkshire Compact
 - Create networks of cluster / business leaders that will enable the realization of a vibrant, well-connected community
 - Lead implementation efforts to create new networks (admin, recruitment, etc.)
- Reach out to potential cluster leaders and business networks, support and encourage private-sector led efforts to collaborate across the cluster
 - Meet with potential leaders of existing industry concentrations and assist them in conducting a cluster assessment to identify key barriers to, and opportunities for, boosting competitiveness
 - Meet with individuals interested in activating developing clusters or businesses, assist them in assessing cluster needs, and help them implement an agenda to improve competitiveness
 - Encourage the formation of cluster networking organizations
- Raise broad regional awareness of, financial support for, and participation in local and regional cluster building efforts
 - Inform regional business and government leaders about the benefits of institutions for collaboration
 - Deliver speeches and conduct seminars for individuals interested in cluster or business development / upgrading

Metrics and Milestones

In order to attach timing to the abovementioned activities and measure their impact, the following metrics will be tracked (see Exhibit 39):

Exhibit 39: Institutions for Collaboration Working Group Suggested Metrics and Milestones

Objective	Activity	Suggested Metrics and Milestones	Source of Data
Objective #1: Serve as nexus for coordination and implementation of <i>Berkshire Strategy Project</i> initiatives	<ul style="list-style-type: none"> Create networks of cluster/business leaders that will enable the realization of a vibrant, well-connected community Lead implementation efforts to create new networks (admin, recruitment, etc.) 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> Network implementation % of time / resources spent on helping develop new networks <p><i>Long-term</i></p> <ul style="list-style-type: none"> Number of new networks formed Survey results (increase in % of respondents in agreement with "Firms frequently contribute to industry-wide programs") 	<ul style="list-style-type: none"> Institutions for Collaboration Working Group Survey
Objective #2: Reach out to potential cluster leaders and business networks, support and encourage private-sector led efforts to collaborate across the cluster	<ul style="list-style-type: none"> Meet with potential leaders of existing industry concentrations and assist them in conducting a cluster assessment to identify key barriers to, and opportunities for, boosting competitiveness Meet with individuals interested in activating developing clusters or businesses, assist them in assessing cluster needs, and help them implement an agenda to improve competitiveness Encourage the formation of cluster networking organizations 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> Identification of potential leaders Number of new network / cluster development efforts <p><i>Long-Term</i></p> <ul style="list-style-type: none"> Number of formal institutions for collaboration established Number of new clusters / businesses that have developed from networks 	<ul style="list-style-type: none"> Institutions for Collaboration Working Group Chambers of Commerce County Business Patterns RCC
Objective #3: Raise broad regional awareness of, financial support for, and participation in local and regional cluster building efforts	<ul style="list-style-type: none"> Inform regional business and government leaders about the benefits of institutions for collaboration Deliver speeches and conduct seminars for individuals interested in cluster /business development 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> Number of community meetings / seminars <p><i>Long-Term</i></p> <ul style="list-style-type: none"> Membership growth in institutions for collaboration 	<ul style="list-style-type: none"> Institutions for Collaboration Working group Chambers of Commerce

ENTREPRENEURSHIP AND INNOVATION WORKING GROUP

Mission

Create a premier location for innovation and new firm creation by both encouraging entrepreneurship and innovation from local residents and attracting aspiring entrepreneurs from outside the region

Objectives and Activities

In pursuit of its mission, the Entrepreneurship and Innovation Working Group's primary objectives and responsibilities are:

- Improve the underlying support system for entrepreneurship in the Berkshires, with emphasis on cluster-related opportunities
 - Establish 'one-stop' advocacy office that facilitates links with regulatory and support services, as well as venture capital providers
 - Promote networking among entrepreneurs
 - Organize angel network
 - Create mentoring programs linking entrepreneurs with local business leaders, angel investors, venture capitalists, etc.
 - Coordinate with internal and external marketing committee to develop a local and regional public relations campaign to publicize entrepreneurial successes and the impressive history of entrepreneurship in the region
- Promote innovation by recruiting talent, encouraging investment in R&D and simplifying regulations
 - Encourage investment in programs, schools and departments that support needs of clusters to help these attract (and retain) relevant talent to the region
 - Promote incentives that encourage investment in R&D

Metrics and Milestones

In order to attach timing to the abovementioned activities and measure their impact, the following metrics will be tracked (see Exhibit 40):

Exhibit 40: Entrepreneurship and Innovation Working Group Suggested Metrics and Milestones

Objective	Activity	Suggested Metrics and Milestones	Source of Data
Objective #1: Improve the underlying support system for entrepreneurship in the Berkshires, with emphasis on cluster-related opportunities	<ul style="list-style-type: none"> Establish 'one-stop' advocacy office that facilitates links with regulatory and support services, as well as venture capital providers Promote networking among entrepreneurs Organize angel network Create mentoring programs linking entrepreneurs with local business leaders, angel investors, venture capitalists, etc. Coordinate with internal and external marketing committee to develop a local and regional public relations campaign to publicize entrepreneurial successes and the impressive history of entrepreneurship in the region 	<i>Short-term</i> <ul style="list-style-type: none"> Identify priority issues Implement public relations campaign 	<ul style="list-style-type: none"> Berkshire Chamber of Commerce US Small Business Administration Country Business Patterns Government Local colleges Internal and External Marketing Working Group BEN
		<i>Long-term</i> <ul style="list-style-type: none"> Increase in venture capital funding Number of companies funded by angel network Increase in rate of establishment formation Number of mentoring programs Annual participation growth in programs to promote and reward student business plans/ideas 	
Objective #2: Promote innovation by recruiting talent, encouraging investment in R&D and simplifying regulations	<ul style="list-style-type: none"> Encourage investment in programs, schools and departments that support needs of clusters to help these attract (and retain) relevant talent to the region Promote incentives that encourage investment in R&D 	<i>Short-term</i> <ul style="list-style-type: none"> Increase in research budget and federal funding for local universities 	<ul style="list-style-type: none"> Chamber of Commerce Local colleges Survey
		<i>Long-Term</i> <ul style="list-style-type: none"> Increase in research budget and federal funding for local universities Survey results (increase in % of respondents in agreement with "Investment in R&D is encouraged by taxes and incentives" and "Your region is a good place to innovate in your business") 	

INTERNAL AND EXTERNAL MARKETING WORKING GROUP

Mission

Improve internal and external perception of the Berkshires by communicating new messages about the region's differentiated tourism assets and the prosperity created by its multi-faceted, entrepreneurial economy

Objectives and Activities

In pursuit of its mission, the Internal and External Marketing Working Group's primary objectives and responsibilities are:

- Identify a differentiated position and strategy for Berkshires tourism and the creative economy
 - Develop differentiated positioning for Berkshires tourism, including priority market segments
 - Create a targeted marketing strategy based on tourist market segments
 - Develop action plans to assess / pursue potential opportunities: local markets, domestic travelers and international travelers
- Communicate to both internal and external stakeholders that the Berkshires has strong potential for growth in high-value manufacturing and services
 - Develop differentiated positioning for Berkshires clusters (working with relevant Working Groups)
 - Re-brand the region as a nexus for innovative business
 - Improve awareness of positive regional trends through targeted internal publicity efforts (e.g. job employment opportunities publication)
- Work with Population Working Group to launch a sophisticated marketing strategy
 - Develop marketing campaigns to communicate key regional assets (e.g. quality of K-12 education, quality of life, breadth of employment opportunities, vibrancy of downtown centers, safety)
 - » Target key population / demographic groups

Metrics and Milestones

In order to attach timing to the abovementioned activities and measure their impact, the following metrics will be tracked (see Exhibit 41):

Exhibit 41: Internal and External Marketing Working Group Suggested Metrics and Milestones

Objective	Activity	Suggested Metrics and Milestones	Source of Data
Objective #1: Identify a differentiated position and strategy for Berkshires tourism and the creative economy	<ul style="list-style-type: none"> Develop differentiated positioning for Berkshires tourism, including priority market segments Identify priority segments Create a targeted marketing strategy based on tourist market segments Develop action plans to assess / pursue potential opportunities: local markets, domestic travelers and international travelers 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> List of current tourism assets Identification of target customer segments Identification of target growth figures (visitor days, expenditure per visitor day, direct employment, etc.) <p><i>Long-term</i></p> <ul style="list-style-type: none"> Growth in number of visitor days and growth by target market / specific tourism segment Growth in expenditure per visitor day and by target market / specific tourism segment Growth in direct employment and growth in the Hospitality and Tourism Cluster Average wage growth in the Hospitality and Tourism Cluster (% exceeds rate of inflation) 	<ul style="list-style-type: none"> Berkshire Visitors Bureau Massachusetts Visitors Bureau Travel Industry Association (industry data) County Business Patterns
Objective #2: Communicate to both internal and external stakeholders that the Berkshires has strong potential for growth in high-value manufacturing and services	<ul style="list-style-type: none"> Develop differentiated positioning for Berkshires clusters Re-brand the region as a nexus for innovative business Improve awareness of positive regional trends through targeted internal publicity efforts (e.g. job employment opportunities publication) 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> Implement marketing / publicity campaign Development and communication of key messages <p><i>Long-Term</i></p> <ul style="list-style-type: none"> Direct employment and establishment growth in specialized manufacturing Average wage growth in specialized manufacturing exceeds rate of inflation Awareness rate (% of population who can identify target messages) 	<ul style="list-style-type: none"> Internal and External Marketing Working Group Loss of Population Working Group Chambers of Commerce County Business Patterns
Objective #3: Work with Population Working Group to launch a sophisticated marketing strategy	<ul style="list-style-type: none"> Develop marketing campaigns to communicate key regional assets (e.g. quality of K-12 education, quality of life, breadth of employment opportunities, vibrancy of downtown centers, safety) - Target key population / demographic groups 	<p><i>Short-term</i></p> <ul style="list-style-type: none"> Implement marketing / publicity campaign Data-driven prioritization of key issues Alignment of efforts with Population Working Group <p><i>Long-Term</i></p> <ul style="list-style-type: none"> Focused marketing campaigns targeting key population segments Awareness rate (% of population who can identify target messages) 	<ul style="list-style-type: none"> Internal and External Marketing Working Group Loss of Population Working Group Berkshire Visitors Bureau Chambers of Commerce

Cluster Committees

The Berkshires Strategy Project is currently developing cluster committees to help activate the following clusters:

- Plastics Cluster
- Hospitality & Tourism Cluster
- Additional Clusters as needed

Once each cluster committee is established it will formulate and ratify a mission, objectives and activities and will set a timeline for implementation and progress.

appendix b

TOWARD A REGIONAL ECONOMIC COMPETITIVENESS STRATEGY: A PROCESS GUIDE

The Monitor Group's approach to economic competitiveness is guided by a theoretical framework that identifies the key indicators and drivers of regional competitiveness and prosperity. Analysis begins with a review of the region's economic performance. Through analysis and comparisons of key metrics against national and regional benchmarks, an overview of the region's strengths and challenges is developed. A review of the region's economic composition focuses on traded clusters, the drivers of prosperity, and helps identify clusters for further analysis. Interviews and surveys offer insights into the regional business environment and pinpoint areas for improvement. This process is analytically rigorous, and involves significant data gathering and analysis. From this work emerges a coherent economic strategy and plan to boost the competitiveness in a region.

Implementation of the new economic strategy, however, requires a different set of skills, moving away from the analytics and towards an on-the-ground action plan. To guide the process and ensure that the findings and recommendations are acted upon, a dedicated organization with structured roles and responsibilities is needed. An appropriate organization may already exist in the region, or a new one may need to be created. Regardless, a typical organizing structure would include a convening body, executive committee, various working groups and a dedicated staff with membership drawn across leaders from the private sector, public sector, academia and non-profit groups. Together these committees and groups serve several purposes: building and driving momentum as the public face of the economic development strategy; ensuring accountability by regularly convening progress meetings and monitoring progress; leading the tactical effort to develop and act upon mission statements, objectives and activities for clusters and business issues; and engaging and integrating the public's perspective to ensure shared action.

Both the data analysis and the strategy implementation are vital for the success of an economic development strategy and should be considered as a continuation of one another – a successful economic development strategy requires concerted effort on both. This guide outlines Monitor's approach to developing a regional economic strategy, as well as the set of actions necessary to implement and realize the shared strategy.

Economic Performance and Innovation Capacity

Prosperity is the ultimate goal of economic development, and to get there, a region needs to raise the level of productivity of its workers. That requires innovation by its companies. So, the first step in applying the framework is to benchmark a region's level of prosperity, productivity, and innovation output.

Economic performance and innovation output refers to a broad spectrum of metrics that offer insight on a region’s economic health. Key indicators include statistics related to employment (job creation and unemployment rates), population, wages (wage level and wage growth), establishment formation, and innovation output (patents, fast growth firms), among others. These statistics are then compared against national and regional averages as well as against a region’s key competitors. This would typically include regions with similar geographic or demographic composition, and include high performing regions whose success can be further studied and perhaps, replicated (see Exhibit 42). A variety of government, private, and academic sources offer these types of data.

Exhibit 42: Economic Performance and Innovation Output (Illustrative only)⁷

Economic Performance	Innovation Output
<p>JOB CREATION</p> <ul style="list-style-type: none"> • Employment grew yearly at 0.5% between 2000-2005, which was 50% of national average of 1.0% • Participation rate for ages 16+ of 70% in 2005 is higher than the national average of 65% <p>UNEMPLOYMENT</p> <ul style="list-style-type: none"> • Unemployment rate of 4.0% in 2005 is lower than the national average of 5.0% • Unemployment rate dropped 0.5% from 2000-2005 while the US rate increased 0.5% over the same period <p>POPULATION</p> <ul style="list-style-type: none"> • Region X experienced a population gain of 9.0% from 2000-2005 compared to a gain of 7.5% in the US <p>AVERAGE WAGES</p> <ul style="list-style-type: none"> • Average wages of \$40,000 in 2005 were ~90% of the national average of \$45,000 • Growth rate for average wages of 4.0% between 2000-2005 matched the national growth rate 	<p>PATENTS</p> <ul style="list-style-type: none"> • Patents per 10,000 workers of 5.5 in 2005, was ~70% of national average of 8.0 • Patents per 10,000 workers grew at a rate of 2.0% per year between 2000-2005 vs. national growth of 3.5% per year <p>ESTABLISHMENT FORMATION</p> <ul style="list-style-type: none"> • Number of total establishments grew 1.5% per year between 2000-2005 vs. national growth of 1.0% per year • Number of private establishments grew at 2.5% per year between 2000-2005 vs. national growth of 1.5% per year <p>FAST GROWTH FIRMS</p> <ul style="list-style-type: none"> • Region X hosted only 1 of the Inc. 500 fast growing companies in 2005, which is less than would be expected based on its contribution to employment

Economic Composition

The second step in developing a strategy is to understand a region’s economic composition. Regional economies are typically not broadly diversified. In fact, they tend to be highly specialized. For example, New Jersey is very strong in pharmaceuticals, New York City in financial services, Los

⁷ Exhibits are illustrative only and do not reflect accurate numbers

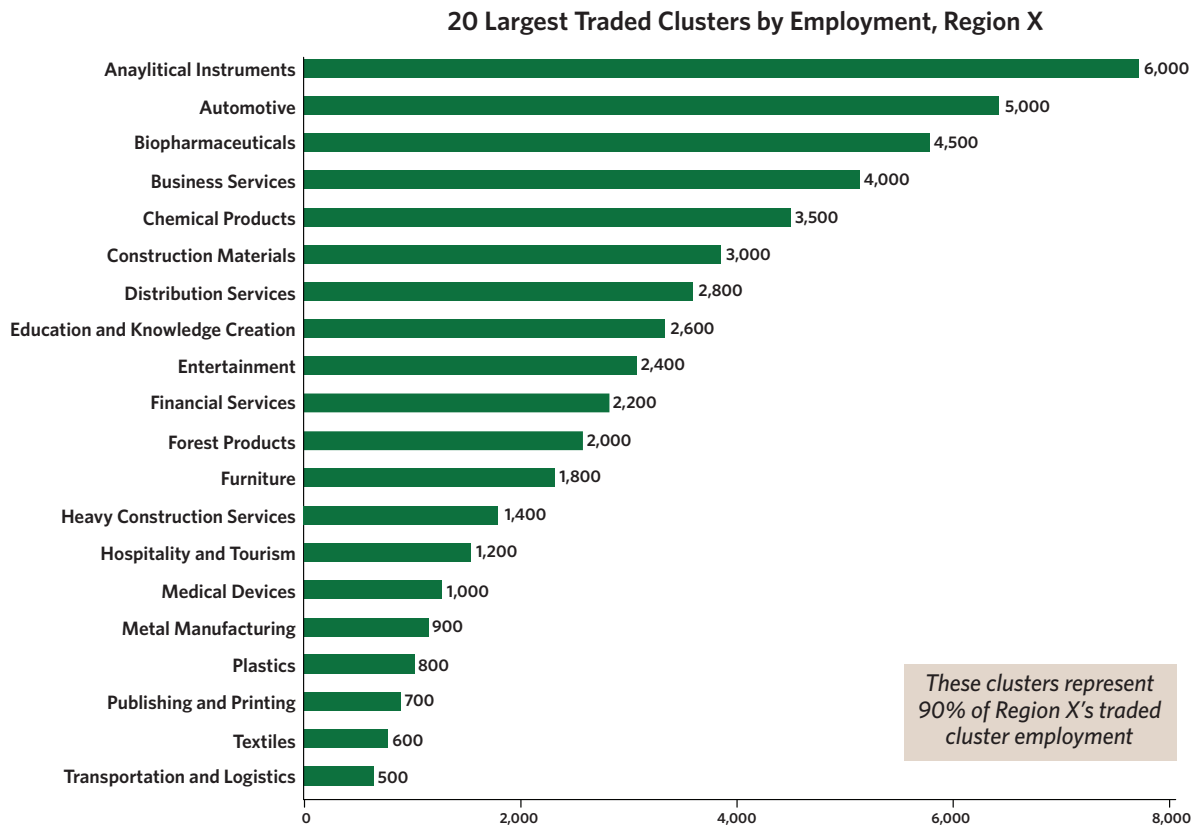
Angeles in entertainment, and so on. In order to understand what a region must do to be more competitive, it is necessary to understand in which businesses that region competes.

By “types of businesses,” we mean clusters (see section in of report, “The Foundations of Regional Competitiveness”). Economic composition describes the unique set of companies and clusters in a region. The objective of this analysis is to assess the relative size, growth, and economic impact of various clusters of an economy. In addition, the economic composition analysis helps identify relative strengths and regional assets that may provide opportunities to drive economic growth. All regions have a mix of traded and local clusters. Monitor focuses on traded clusters—those that sell their goods and services globally—as these clusters tend to be the drivers of regional prosperity.

The following lists the key metrics and analyses that Monitor typically employs to analyze a region’s economic composition.

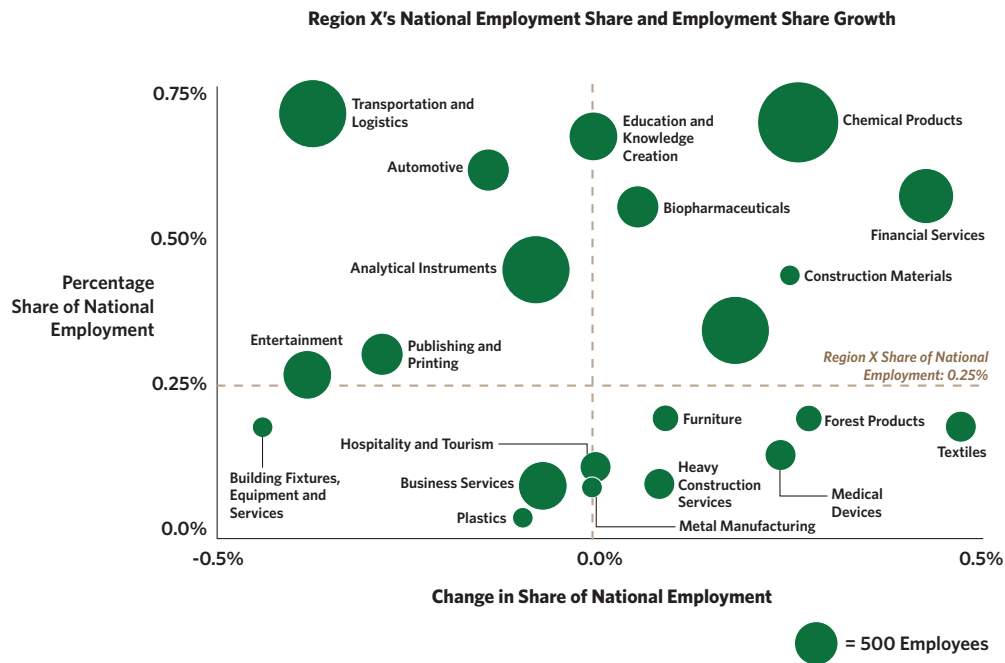
- **Employment / Job Creation:** Total employment and job creation are mapped by individual cluster to show which areas of the traded economy currently have the greatest employment and which have shown the strongest growth in recent years. Although past trends do not translate directly into the future, clusters that have been drivers of employment growth in recent years may be important regional assets and are strong candidates for deeper analysis (see Exhibit 43).

Exhibit 43: Employment/Job Creation Analysis (Illustrative Only)



- Cluster Competitiveness / Relative Positioning: The percentage share of national employment and the change in share of national employment are plotted to show which clusters have the strongest regional position in terms of size and relative growth. Monitor uses this analysis to help determine which components of the region's economy have the strongest position relative to the broader economy and economic trends (see Exhibit 44).

Exhibit 44: Cluster Competitiveness / Relative Positioning



Assessment of the Business Environment

Assessing the business environment helps identify key strengths to leverage and weaknesses to address. Doing this is the third analytic step in developing a regional strategy, and it comes from the assessment of a region's business environment (see Exhibit 45)⁸.

To understand the specific strengths and challenges of a given business environment, in-depth interviews with local executives should be conducted. In addition to interviews, a cross-regional survey can be very helpful for benchmarking a region's assets. Monitor uses our Executive Insight Survey, which asks a standard set of questions about the business environment, and which has been deployed

⁸ To assess a region's business environment, we draw on the framework articulated by Michael E. Porter in the *Competitive Advantage of Nations* (New York: Free Press, 1990).

in numerous regions around the world. Survey results are compared against national averages and a competitive set to highlight strengths and challenges in a broader context. From the interviews and survey results, action steps can then be developed to upgrade the business environment by promoting regional strengths and addressing the most pressing issues for local businesses.

Exhibit 45: Assessment of Regional Business Environment (Illustrative Only)

ADVANTAGES

- High quality of human resources
- Strong quality of life
- Central location
- High performing K-12 education
- High quality research and technical universities
- Access to natural resources
- Abundance of capital resources

DISADVANTAGES

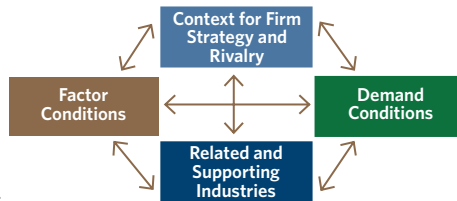
- High relative cost of doing business
 - Communications infrastructure
 - Transportation infrastructure
- Complicated governmental regulations
- Limited availability of commercial property
- Limited housing stock to attract workers and residents

ADVANTAGES

- Large corporate headquarters
- High level of competition drives product development and innovation

DISADVANTAGES

- Complicated taxes, cumbersome regulations, and incentives not well aligned with region's needs



ADVANTAGES

- Select clusters have core group of demanding customers that provide diversity of feedback

DISADVANTAGES

- Most clusters do not have demanding local base of customers

ADVANTAGES

- Development of several clusters with numerous competitors, suppliers, customers
- Cooperation of industry-related networks

DISADVANTAGES

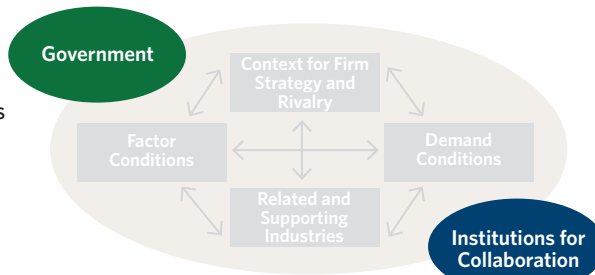
- Broad diversification may limit breadth and depth of clusters

ADVANTAGES

- Access to state and local government representatives
- Increased responsiveness to business by state and local officials

DISADVANTAGES

- Limited coordination among regional players
- Tax structure is not business friendly



ADVANTAGES

- Close-knit community facilitates cooperation
- Growing collaboration between universities and business
- Recent success of private-public partnerships
- Strong industry-based networks

DISADVANTAGES

- Lack of cluster organizations (linking competitors, suppliers, customers)
- Limited institutional support for entrepreneurship
- Limited supportive educational programs targeting cluster needs

Cluster Analyses

In addition to understanding the region as a whole, it is often helpful to examine some of the region's industry clusters in more depth. The purpose of this is not so much to make specific recommendations to important clusters, though that is a corollary benefit. Rather, the intent is to use these clusters as different lenses through which to analyze the regional economy, and to gain nuanced understanding of how strengths and challenges play-out in different parts of the economy (e.g., transportation infrastructure weaknesses may well be different for an auto company vs. a biotech manufacturing facility).

First, one must pick which clusters to study, because it is generally too much to study all of a region's interesting and important clusters. It is extremely important to emphasize that picking clusters is not the same as picking winners. If a cluster is not selected, this does not mean it is unimportant to the future prosperity of a region. Clusters are a different, more focused, lens through which to examine the region. Output from the analysis will help the specific cluster in question, and will also inform the overarching regional strategy which will help all clusters in the region.

Monitor's approach to cluster prioritization follows a screening process designed to select important regional clusters for further analysis. Filters are used to help identify clusters that offer the optimal mix of economic attractiveness and strategic feasibility. This screening process may include economic performance, innovation and composition metrics as well as other measures of economic impact such as size of addressable market, socio-political environment, and competitive position.

Once the clusters are chosen, we use the above three steps—benchmarking economic and innovation performance, mapping economic composition, and assessing the regional business environment—to assess clusters as well.

- **Economic Performance:** Economic performance and innovation metrics (including comparison against competitive set) offer insight on economic impact. For specific metrics see above section.
- **Economic Composition:** Economic composition and performance is assessed, including sub-cluster analysis.
- **Business Environment:** The strengths and weaknesses of the cluster-specific business environment are assessed through targeted interviews, qualitative research and a focused survey. This analysis includes an assessment of the local inputs, competitors, customers and clusters that impact the cluster's ability to develop, grow and sustain businesses in the given region. See next section for further detail.

Strategy Formulation

Developing a coherent strategy for a region is more art than science. The research and analysis on a region's economic and innovation performance, economic composition, business environment, and clusters are critical building blocks of the strategy. But a creative leap must take place to get from the building blocks to the strategy.

The first step is to integrate the preceding analyses:

- Analysis of economic and innovation performance helps identify the basic challenges to prosperity confronting a region. Is it mostly a question of creating enough jobs (e.g., relatively high unemployment and rapid population growth)? Is it more an issue of raising wages (e.g., slow population growth, low average wages and gross product). Is there concern about maintaining prosperity in the future (e.g., strong job creation and high average wages now, but lagging indicators of innovation output)?
- Mapping economic composition identifies the main clusters driving, and holding back, prosperity in a region. It helps identify new and emerging clusters that ought to be nourished. It might reveal important clusters in decline that must be shorn-up. It could reveal long-standing assets that have typically received insufficient attention. It helps regions understand against which other regions they are truly competing.
- Assessing the business environment, and identifying key strengths and weaknesses identifies assets that can be leveraged, and gaps that should be addressed. These strengths and weaknesses, however, must be prioritized, for there is typically too much that a region should ideally do. Priorities are identified by having a vision of where the region ought to go.

Creating a compelling vision is the second step in developing the strategy. The vision describes what the regional economy will look like in the future; it is the target at which economic development efforts should aim. The key issue is to make sure this vision differentiates the region from competitors. Perhaps the most common mistake made in developing economic strategy is simply to imitate other successful regions (e.g., Austin, Silicon Valley, Research Triangle, Route 128, etc). Why would a company want to operate in a place like Austin, when it could simply re-locate, and get the real thing? While it makes sense to look at success stories for insight, ultimately regions will be most successful by building on the strengths that make them different and better than other regions. It is through differentiation that companies will choose to locate, grow, and start-up in a region as opposed to its competitors.

Once the vision is articulated, the next step is to identify what is missing. This involves identifying: 1) the key assets needed to achieve that vision; and 2) which assets are already in place in the region; and 3) through a process of elimination, which the region must work to put in place.

Finally, from a practical standpoint, the process of developing a shared economic vision is an iterative one that requires input from the working group, steering committee and selected members from the public. Key stakeholders must be included in, and be part of, the analytic process, and the strategy development process, so that there is consensus and buy-in of the vision.

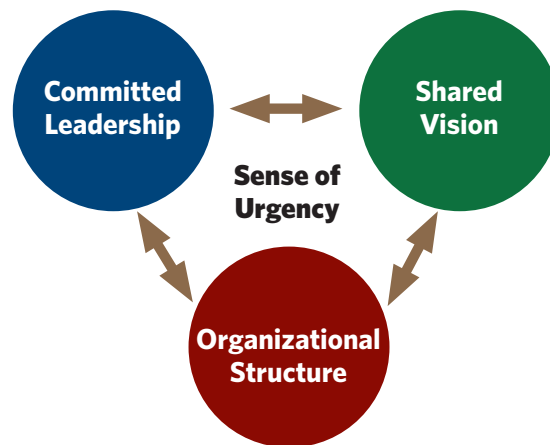
ORGANIZING FOR ACTION: THE IMPLEMENTATION PROCESS

No strategy is complete without an organization and process for implementing it. Once the key stakeholders have achieved consensus on a vision, and a set of critical actions and initiatives for achieving that vision, the focus moves to implementation and organizing for action.

Creating the Capacity to Act

In our experience, creating the capacity to act requires four components: a shared economic vision, strong leadership committed to that vision, an organizing structure to manage implementation, and behind these, a sense of urgency to motivate the necessary hard work over the long-term (see Exhibit 46). The analytic efforts described above should draw the necessary leadership into the strategy formulation process, generate a shared economic vision among them, and ideally impart a sense of urgency about the need for strategic change.

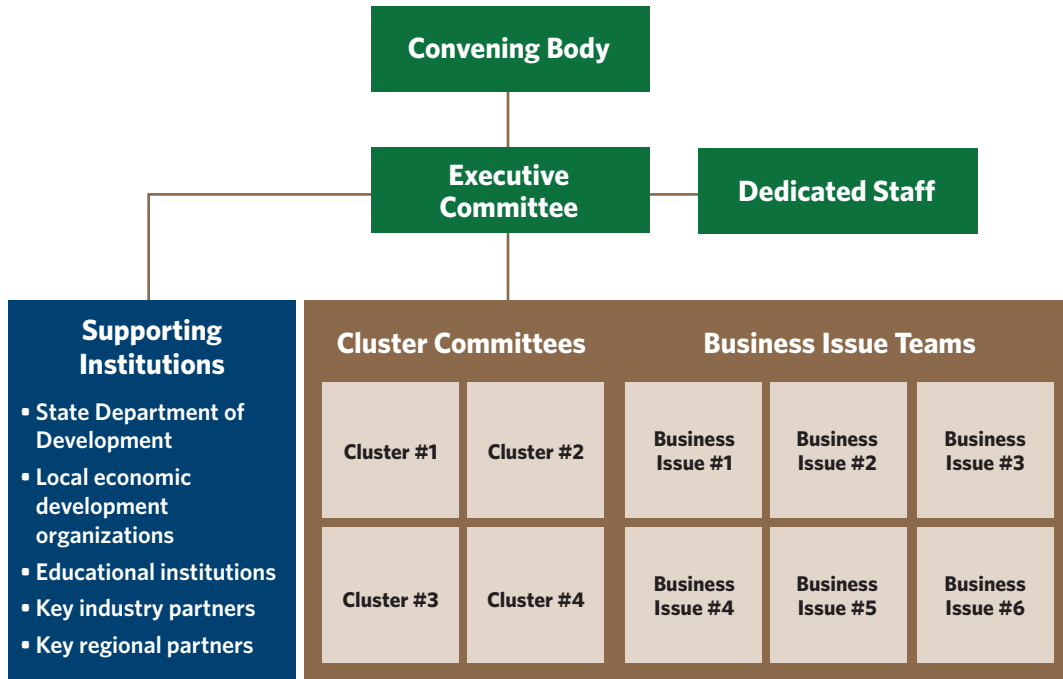
Exhibit 46: Creating the Capacity to Act



The implementation work begins by building the fourth component, an organizational structure. There is no single right way to organize a region to implement its economic strategy. Sometimes an existing organization can assume the responsibility, sometimes a few organizations can collaborate to drive the initiative, and sometimes a new organization must be created from scratch.

The generic structure we start with consists of a convening body, executive committee, dedicated support staff and several working groups each focused on a cluster or issue in the business environment. This structure serves several purposes: it is the public face of the economic development strategy, a forcing mechanism to regularly convene working groups, an accountability measure to encourage progress, and a forum to gather and integrate the public's perspective (see Exhibit 47).

Exhibit 47: An Organizational Structure for Implementation



Convening Body

The organizing structure is headed by a convening body. Though the size and membership is dependent on the specifics of the region, and the scope of its development plan, in general, membership includes about 25-30 leaders drawn from across business, government, academic, and non-profit sectors. Members must be viewed as key decision-makers and thought leaders within the community in order to help galvanize broad support and encourage action from the working groups. Finally, members must be truly committed to the change effort, as success will only come over the long-term.

The convening body will recruit members to, and convene, the various cluster and business issue working groups. It will regularly interact with the working groups to learn of their progress, and to offer support and guidance. In this way, the convening body puts in place a routinized, disciplined process to encourage the cluster and business issue working groups to make regular progress on their agendas.

Executive Committee

To provide flexibility and decision making capabilities in between meetings, an executive committee should be formed from members of the convening body. Though dependent on the size of the overall organizational structure, in general, 8-10 members should be tapped to form the executive committee. Because the executive committee will have some decision rights, it is important to choose people with high standing within the community, who value the opinion of the rest of the convening body and can drive consensus for executive committee decisions.

Dedicated Staff

While most of the implementation effort is volunteer-based, a Dedicated Staff is necessary to ensure that progress does occur and to ensure adequate resources are put against the effort. The Dedicated Staff holds several responsibilities including: developing and managing the convening body and executive committee's workplans (preparing agendas, facilitating working sessions, coordinating workplans, etc.), managing the activation of the working groups (assisting in identifying and recruiting members, performing specific assignments as needed), monitoring, tracking and measuring progress. The staff does not need to be especially sizeable, even 2-3 can suffice, but it does need to be highly competent to be able to effectively interact with, and maintain the attention, interest, and support of, the more senior civic leaders in a region.

Working Groups

To execute on the individual cluster and business issue areas, working groups need to be formed. Working groups are responsible to define and execute against key objectives and the action agenda for a given cluster or business issue. Essentially, working groups are responsible for doing the “heavy-lifting” required to realize the shared economic vision. Working groups will coordinate with convening body, the executive committee and other working groups as appropriate though at regular intervals to report on progress against established metrics.

COMMON PITFALLS

Economic development is a long-term process, with many opportunities to lose focus or momentum. To that, there are a number of pitfalls that rural regions must be aware of:

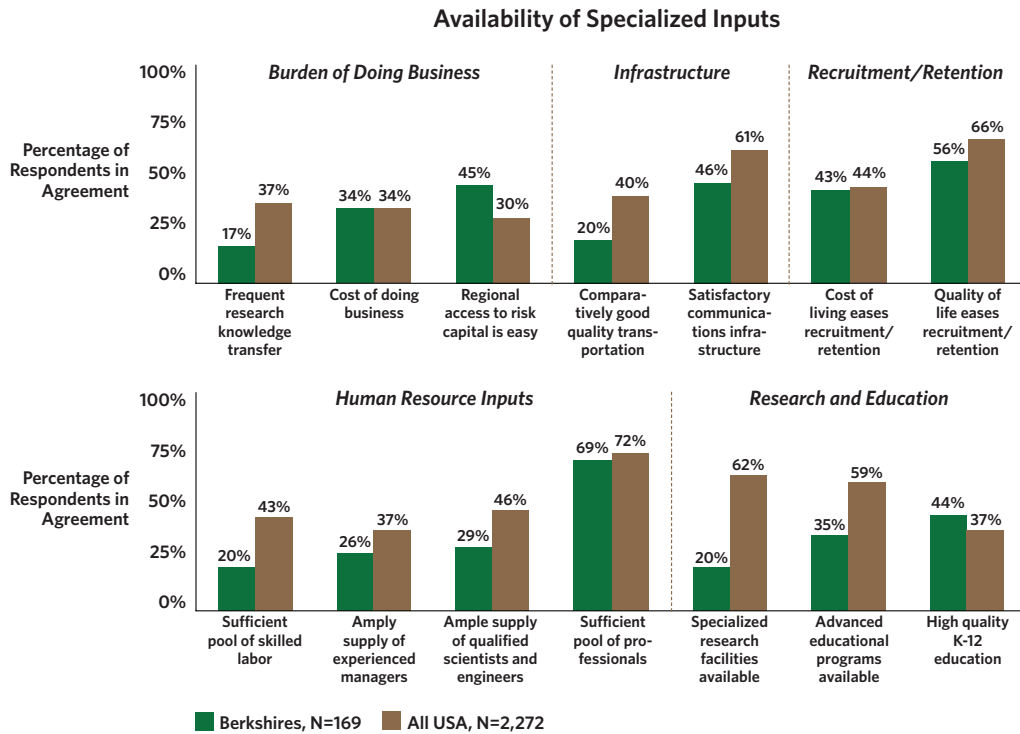
- **Focus:** Regions lose focus if they try to do too much at the same time, with too many players – it is important to channel resources where there will be the greatest impact. The greatest success at implementing economic development strategies then, comes through focused efforts on the prioritized clusters and business issues. In addition, it is important to set clear goals (short-term and long-term) and measure progress on a regular basis

- **Leadership:** The implementation process will fail if it lacks the buy-in and active involvement of key leaders and organizations. This may be difficult as economic development is primarily a volunteer effort; individuals must truly commit to the process or little will be accomplished. Similarly, every cluster and business issue working group must have a passionate champion to push for progress and demand accountability. It is critical to establish (or assign) ownership and responsibility early on.
- **Collaboration:** The organizational structure for implementation must integrate and leverage the efforts of a diverse set of organizations and ensure public opinion is considered. As competing institutions and agendas will sap momentum, it is vital to eliminate turf wars and establish shared goals. Community ownership of the vision is vital.
- **Staffing:** The organizational infrastructure must be appropriately streamlined. It is vital to reach out to existing organizations, aligning each to the new vision and strategy to avoid derailment or duplication of efforts.
- **Endurance:** Economic development is a long-term process; regions must maintain momentum and energy for the long-run. While there may be a few quick wins, the true results—greater economic prosperity—are only apparent in the long run. Even committed individuals will get tired so there needs to be a broader support structure to maintain continuity.
- **Process:** Leaders need to recognize the different processes and motivations needed to sustain this process. Economic development is not like running a business; instead it involves managing and motivating volunteers.

appendix c
**KEY RESPONSE DATA
 FROM THE COMPETITIVENESS SURVEY**

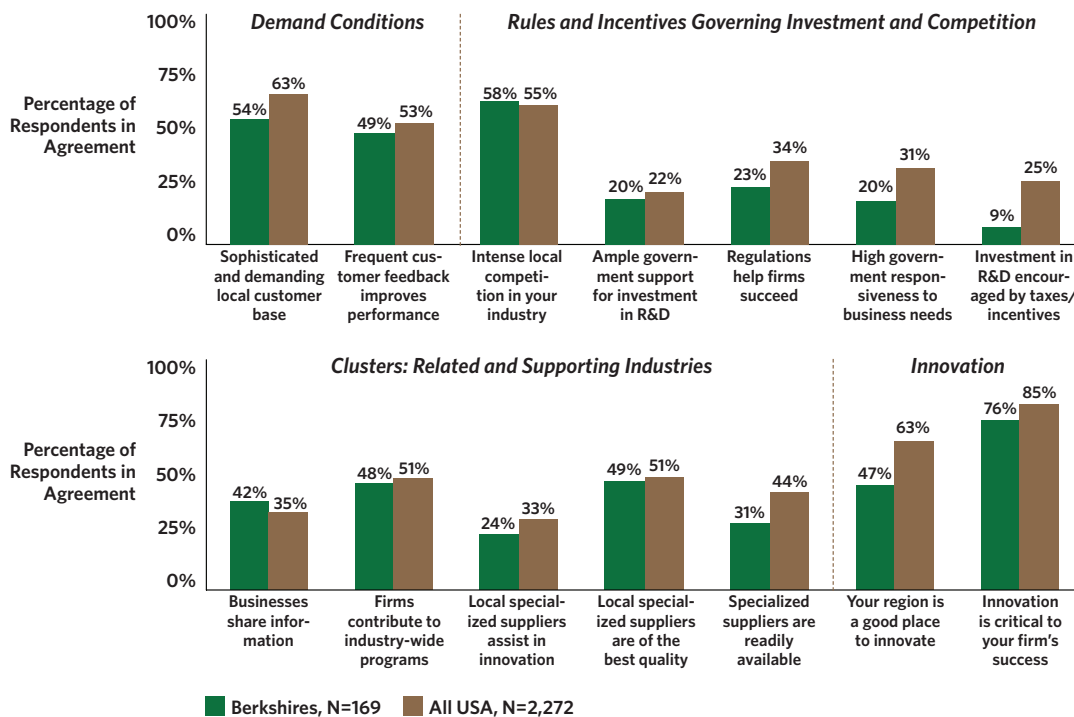
Section includes survey data for the following business environment issues

- Availability of Specialized Inputs
- Context for Firm Strategy
- Priorities for Government



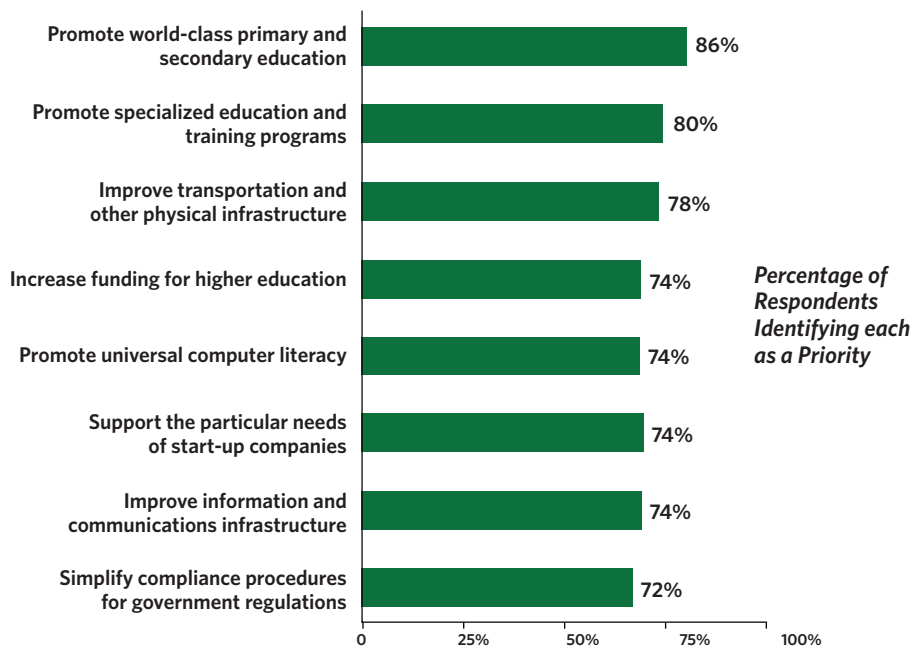
SOURCE: Monitor Executive Insight Survey

Context for Firm Strategy



SOURCE: Monitor Executive Insight Survey

Berkshire County Priorities for Government



SOURCE: Monitor Executive Insight Survey, n=169

appendix d

BIBLIOGRAPHY OF SOURCES

Berkshires Reports

Analysis of Job Vacancy Data for the Berkshire Region
Berkshire Compact
Berkshire County Job Vacancy Survey
Berkshires County Workforce Report 2005
Berkshire RCC
Berkshire Visitors Bureau Survey Results Overview
MASS Benchmarks

Other Berkshire Specific Sources

Berkshire Chamber of Commerce
Berkshire Community College
Berkshire Eagle
Berkshire Economic Development Corporation
Berkshire Regional Employment Board
Berkshire Visitors Bureau

Innovation and Establishment Formation

U.S. Patents and Trademark Office
Small Business Administration
Inc. Magazine

Population, Employment, Wages and Gross Metropolitan Product

U.S. Bureau of Labor Statistics
U.S. Bureau of Economic Analysis
U.S. Census Bureau
U.S. Department of Agriculture
U.S. Department of Commerce
MA Department of Workforce Development
Global Insight

Cluster Analysis

Cluster Mapping Project, Institute for Strategy and Competitiveness,
Harvard Business School

Other Economic Data

ACCRA Cost of Living Index
Center for Urban and Regional Policy
Economic Development Administration
Edgar Online
Federal Reserve Bank of Kansas City
International Trade Administration
Northeast Regional Center for Rural Development
Review of Agricultural Economics
University of Massachusetts

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MONITOR GROUP

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Founded in 1983 by six entrepreneurs, including Harvard's Michael Porter and the current Chairman Mark Fuller, Monitor Group has close to 1500 employees around the globe focused on helping implement change in organizations. Monitor offers a portfolio of services to its clients who seek to grow and stay competitive in the global market. As such, the firm works with the world's foremost business experts and thought leaders to develop specialized capabilities in areas including competitive strategy, marketing and pricing strategy, innovation, national and regional economic competitiveness analysis, non-profit management, technology/e-business, organizational design and development, and scenario planning.