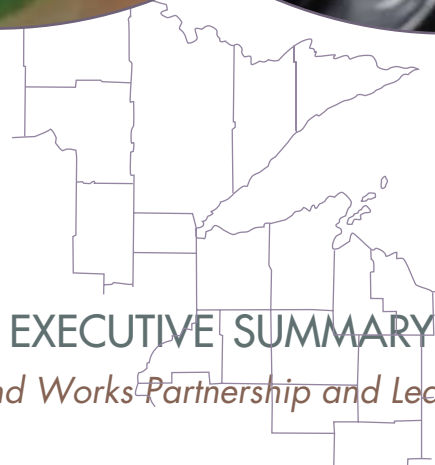


PROSPERITY NETWORKS

Linking Resources to Transform the Northland



EXECUTIVE SUMMARY

Developed by The Northland Works Partnership and Leadership Steering Committee



OUR VISION FOR THE NORTHLAND

*We will leave to future generations
a Northland region that:*

- **Embraces entrepreneurs** with thick networks of connections to speed investment in new ideas and encourage risk taking;
- **Promotes creative minds** and innovative thinking across business, education, and government;
- **Transforms education** from early childhood to mature adulthood to provide the 21st Century skills needed by innovative firms, governments, and non-profit organizations; and
- **Connects our region** with the collaborations and leadership skills we need to act strategically and prepare for what's next.

"It is about transformation—working together, coming out of our vacuums, and finding out how we can help each other for the good of the entire region."

Michelle Ufford, Northeast Minnesota Office of Job Training

"We are trying to speak with one voice and from one position. Combining resources gives us tremendous leverage."

Rob West, Area Partnership for Economic Expansion (APEX)

WE HAVE AN OPPORTUNITY

Opportunities for transformational change don't come along every day. One of those rare occasions occurred in February 2008 when the U. S. Department of Labor awarded a \$250,000 Regional Innovation Grant to help a unique partnership in Northeast Minnesota and Northwest Wisconsin to align resources and create a focused economic development strategy spanning 17 counties in two states.

The Northland Works Partnership, a collaboration headed by three workforce investment boards, the Arrowhead Growth Alliance, and the Arrowhead Regional Development Commission, seized the moment. It recruited a broad coalition of economic development, workforce development, and education professionals, along with influential voices in business and industry, to tackle the task.

This Leadership Steering Committee has spent nearly two years analyzing the region's economic strengths, identifying its challenges, and systematically developing practical, effective strategies to attract investment, build wealth, create employment opportunities, and grow the tax base. Its recommendations are rooted in solid, current data at a level of detail never before achieved for this 17-county region. They build upon collaboration and partnerships that have evolved over the past several years and promise to develop the tools and talents needed for sustainable, innovative growth.

We call this strategic plan Prosperity Networks because it links and leverages resources to transform the Northland. The next connection we hope to make is with you.

"The process has positioned us to have the critical conversations that will frame our evolving regional economic development strategy."

Dr. Sue Collins, Northeast Higher Education District

“This is a large geographic area, but natural things bring us together if we look at economies, natural resources, and culture.”

Andy Lisak, The Development Association (Superior-Douglas Co., Wis.)

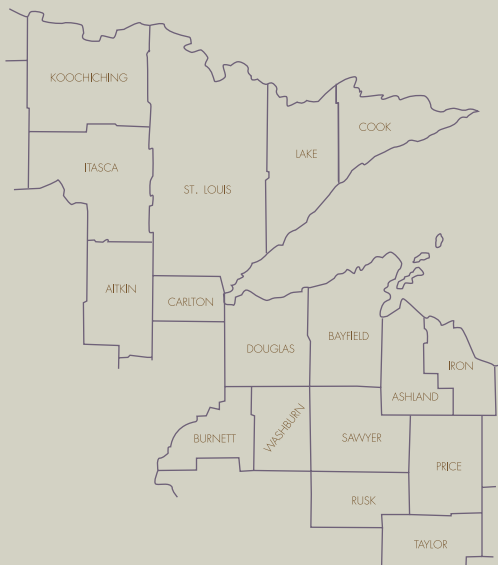
OUR REAL REGIONAL ECONOMY IS BIG, BROAD AND CONNECTED.

It is easy for economic developers, workforce developers, and educators to define an economy by traditional borders and boundaries. However, in today’s globally wired and mobile business world, provincialism is limiting. We need to think in big, broad terms about how the smaller economies of our region work as one, presenting dynamic opportunities that no individual city, county, or jurisdiction can offer alone.

In reality, our Northland’s economy spans at least 17 counties and hundreds of communities in Northeast Minnesota and Northwest Wisconsin. It includes the Minnesota counties of Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis and the Wisconsin counties of Ashland, Bayfield, Burnett, Douglas, Iron, Price, Rusk, Sawyer, Taylor, and Washburn (Figure 1)—and it probably extends even further.

This region is extremely diverse, from the remote Boundary Waters Canoe Area Wilderness and rustic North Shore of Lake Superior to industrialized mining towns, bustling international seaports, tourism hamlets, and rural farming communities. Yet it operates as one integrated economy.

Figure 1. Minnesota and Wisconsin Counties in the Northland Works study region.



Northland Counties and Communities Have a Lot in Common.

- Abundant natural resources
- Similar and complementary industries
- Transportation infrastructure
- Well-developed higher education network
- Mobile labor pool
- Common history and culture
- Joint political influence

HALF A MILLION PEOPLE DRIVE OUR REGIONAL ECONOMY.

Nearly 500,000 people live in the 17-county region. That is a big number. Most are concentrated in the Duluth Superior Metropolitan Statistical Area, which reaches into both states and encompasses the three counties of St. Louis, Douglas, and Carlton. St. Louis County dominates the region in population, area, and household income. It is home to Duluth and several sizeable Iron Range communities. Douglas and Itasca counties also have relatively large populations and household incomes when compared to the rest of the region (Figure 2).

Although people and wealth are not distributed equally, every county is integral to the Northland's economy. The bustling Twin Ports of Duluth, Minn., and Superior, Wis., may form the hub of economic and cultural activity, but they draw vitality from people, businesses, and communities across the region.

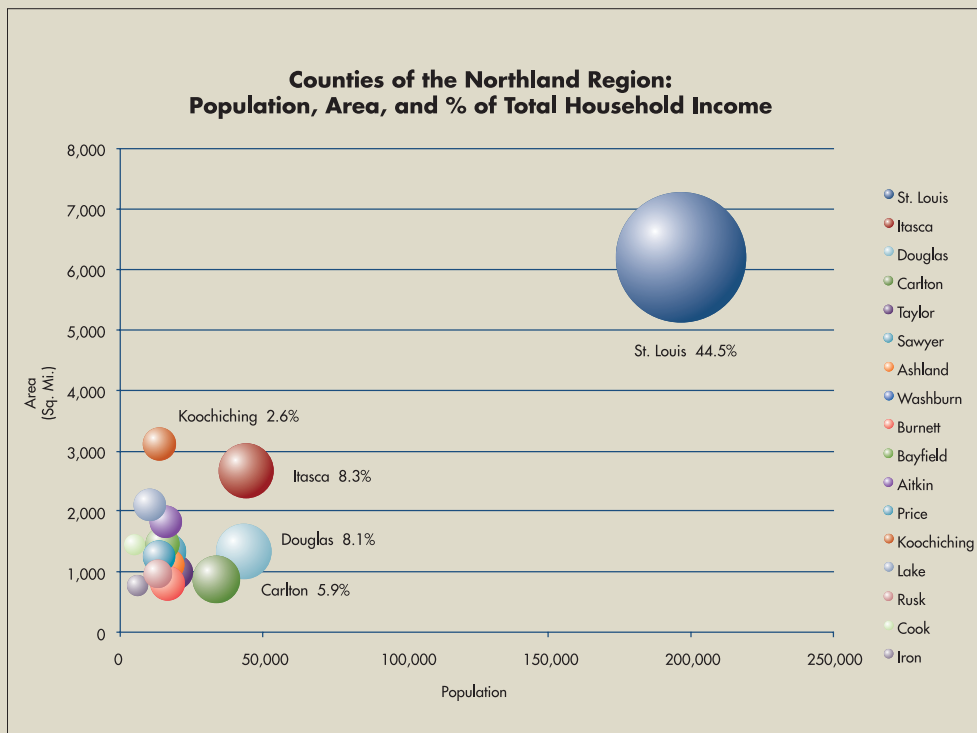


Figure 2. Counties of the Northland Region: Population, Area, and % of Total Household Income
Source: IMPLAN; BBER

“So much of our economic and workforce development has been based on perceptions of what this region is like. Our goal was to look at the Northland’s economy in different ways to help us understand what has changed in the last 10 years so we can make decisions based on facts, rather than what we believe is true.”

Drew Digby, MN DEED

OUR EDUCATIONAL SYSTEMS ARE OUTSTANDING, YET YOUNG, TALENTED PEOPLE ARE LEAVING OUR REGION, TAKING KNOWLEDGE WITH THEM.

- Our population is aging. The median age in our 17-county region is 43.6, far higher than the national median age of 36.8.
- We have excellent K-12 school systems, and high school graduation rates are above national averages.
- Our higher education network includes two universities, two private colleges, and more than a dozen state community and technical colleges.
- Each year, more than 3,500 students graduate with four-year or graduate-level degrees from higher education institutions in our region. Nearly 5,000 additional students earn associate degrees or certificates from these schools.
- Yet, our region lags behind in the number of high school graduates with college degrees. Something does not add up! Students are gaining knowledge and taking it with them when they leave.

WE FACE A SEVERE WORKFORCE SHORTAGE...NOW.

- **More than 75,000 positions are expected to open as Baby Boomers retire and several large-scale industrial projects are completed. It is already beginning.**
- **If every Northland high school graduate for the next 10 years stayed in the region and took one of those jobs, we would not meet the projected workforce demand!**

WE CAN TURN THIS SITUATION AROUND.

- As Baby Boomers retire, more college graduates will find jobs to stay in the area—provided they have the right skills.
- Older adult workers will be in high demand, especially those willing to retrain for second careers.
- The number of working-age people (particularly women) who have jobs is generally lower than elsewhere in the country. We can increase our workforce participation rate.
- Studies show many people are eager to live in the Northland and willing to accept median household and per capita personal income levels below state and national averages to enjoy its high quality of life.
- Our region will be more successful if we grow and attract businesses that provide stimulating work environments and well-paying jobs.

Figure 3. Northland Counties and Region by Population and Median Age

	POPULATION	MEDIAN AGE	HS GRADS % AGE 25+	COLLEGE DEGREES	MEDIAN HH INCOME	PER CAP. IND. INCOME
NE MINN.	320,342	43.8	88%	29%	\$43,882	\$30,796
NW WIS.	179,192	43.5	87%	26%	\$39,489	\$27,501
REGION	499,534	43.6	88%	28%	\$41,686	\$29,148
USA	304,059,724	36.8	84%	34%	\$50,740	\$38,615

Source: Northland Connection

“Businesses are seeking and competing for human resources. If our area is effective at knowing what skills are needed, providing training opportunities, and directing people to the right educational resources, it will give us a competitive advantage.”

Don Hoag, Duluth Workforce Council

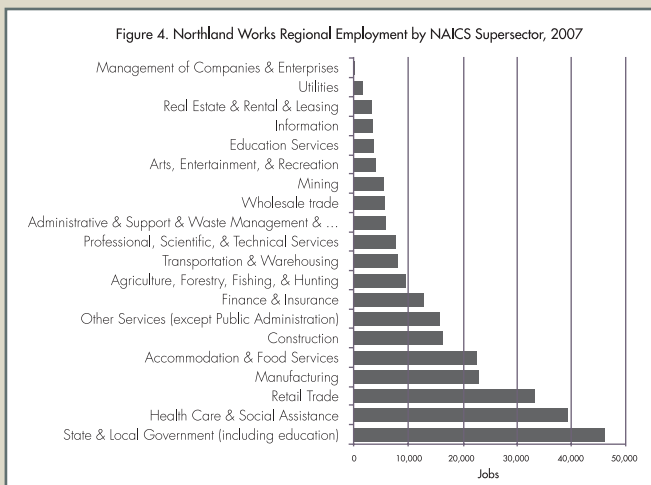
OUR COMPETITIVE ADVANTAGES GO BEYOND TRADITIONAL INDUSTRIES.

Historically, our region’s competitive advantages have been based on the land and its natural resources. Logging, paper milling, and wood products manufacturing have been natural economic outgrowths of our lush forests. Mining and transportation have dominated, as well, thanks to rich deposits of iron ore and close proximity to Great Lakes shipping.

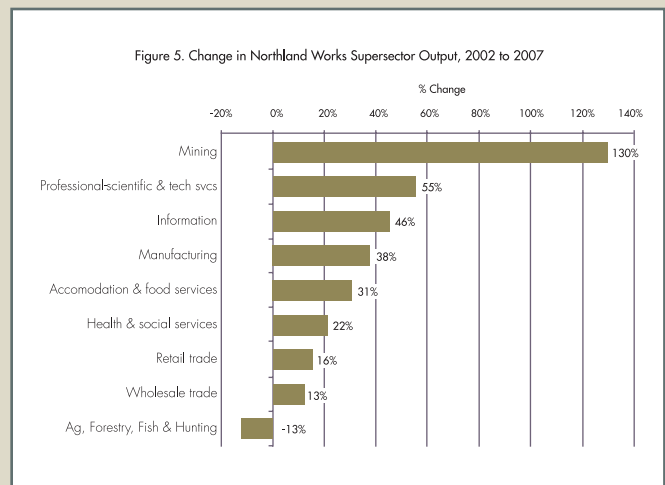
Many residents continue to work in natural resources-related jobs, although the character and influence of these core industries have changed dramatically. Technological advances, market fluctuations, regulatory changes, foreign investment, and global competition have put tremendous pressure on our traditional employers, reshaping the way they do business and the number of people they employ.

Our Leadership Steering Committee spent significant time examining the region’s reliance on traditional industries and looking for ways to support their health and viability. At the same time, they gathered data identifying new avenues for sustained growth and investment. They considered major competitive advantages, emerging opportunities, a changing global economy, and potential impacts of the recession.

Seven targeted economic driver/clusters were identified through this process. They represent traditional industries that could experience transformational change plus emerging ones that complement regional strengths.



Source: IMPLAN; BBER



Source: IMPLAN; BBER



SEVEN INDUSTRY DRIVER/CLUSTERS SHOW STRONG POTENTIAL.

Transformational Opportunities

1. **Forestry and Fiber**
Encompasses traditional and nontraditional paper, pulp, secondary wood products, and food manufacturing; one of the largest clusters and primary economic drivers in the region; potential for new commercial and value-added products; interest by Natural Resources Research Institute to develop potential
2. **Mining**
Large traditional cluster with massive output at full capacity; continued investment in expansion and technology upgrades at existing taconite mines; projects being developed to create value-added iron nuggets and finished steel; nonferrous mining shows potential to create construction jobs, permanent employment, and spin-off businesses
3. **Transportation and Logistics Support**
Regional transportation infrastructure includes a world port and strong rail, aviation and highway systems; around-the-clock customs and foreign trade zones; potential development of intermodal terminal and spinoffs; includes all modes of transportation and logistics, distribution centers and breaking bulk, plus transportation-related education and research

Emerging Opportunities

4. **Biomedical and Health Care**
Largest existing employment cluster; strong universities with research capabilities; well developed medical provider networks; abundant natural bio-resources; small presence of medical device, biologic, and biopharmaceutical companies; expertise in building and managing assisted living/extended care facilities; age of population and future demand for services; overall 13% growth potential over the next five years, not including undefined biomedical spinoffs
5. **Creative and Professional**
Embraces the Northland's entrepreneurial spirit, propensity for innovation, and commitment to research; business/financial services and architecture/engineering services are fast-growing national sectors and niche regional strengths; growth potential for back office support in financial, health care and renewable energy industries; higher education network, business development programs, and culture support the "Creative Class"
6. **Energy Alternatives and Renewable Energy**
New energy opportunities complement existing strengths in transportation, energy development, forest assets, manufacturing, and technical expertise; strong biomass, biodiesel and wind energy potential; large industry job skills transferable to energy sector; well-compensated job opportunities at multiple levels
7. **Innovative Manufacturing**
Represents a broad spectrum of pioneering products through technology and research and development, including wood pellets, film, plastics, rubber, and precision metal fabrication; potential crosses over several targeted driver clusters; existing expertise in rapid prototyping, fabricating, and advanced technologies; strong industrial and educational support infrastructure

All of the research conducted can be found at www.northlandstrategy.net as Appendix material to the full strategic report.

“It is imperative that we design training that responds to the emerging needs of employers. We need to talk with the business community, partner with colleges and universities, and align our efforts with the region’s economic developers to assist employers as much as possible.”

Steve Terry, Northwest Wisconsin Investment Board

WE ENVISION A NORTHLAND REGION THAT...

Embraces entrepreneurs...

- A higher proportion of locally owned businesses
- A higher proportion of growth-oriented companies with employment from 10 to 99 employees
- Vibrant support networks that provide quick access to the legal, financial, and management resources needed by entrepreneurs and growth-oriented companies
- Expanded number of young professionals opening new businesses in the region
- Expanded commitment to entrepreneurship education like the nationally recognized Core Four curriculum developed in the region
- Expanded celebrations of entrepreneurial success through business plan competitions and other similar initiatives

Promotes creative minds and innovative thinking...

- Increasing rates of new product introductions by existing companies and expanding proportion of revenues coming from new products
- Expanded research budgets in both business and universities with more cooperative research projects
- Expanded investments in high speed broadband
- Expanded industrial recycling and use of renewable energy and materials
- Higher value-added production from the region’s resource-based industries
- Expanded collaborations between governmental units with innovative initiatives to deliver services

Transforms education...

- Early education in which every child is prepared to learn in kindergarten
- Early literacy in which every child can read and comprehend well by the third grade
- Education innovations that increase flexibility, choice, and performance in secondary school so that every child graduates from high school with the skills for post secondary education and the 21st century workplace
- Flexible post secondary education so every high school graduate has a pragmatic plan to continue education and obtain a post secondary certification or degree
- Blurred boundaries between secondary and post secondary education, so more post secondary and workforce education is offered at the secondary level
- Expanded participation in arts education and creativity across the education spectrum from early childhood to adult
- Expanded and more flexible educational options for adults to continue development of 21st century skills and obtain “stackable” credentials

Connects our region with the collaborations and leadership skills to act strategically and prepare for what is next.”

- A strong hub of people and organizations
- Blurred and porous boundaries
- Distributed and shared responsibilities for translating ideas into action

WE WILL GET THERE THROUGH “STRATEGIC DOING.”

Our regional economy has many networks. All are vital to prosperity. We can achieve great things if we link and leverage the resources of our economic development, workforce development, and education networks and retrain ourselves to think collaboratively.

Working with the Purdue Center for Regional Development, we adopted a method called “strategic doing” to guide our regional strategy and advance our targeted economic driver clusters. Several other regions are using this dynamic, networked approach to transform their economies with great success.

With strategic doing...

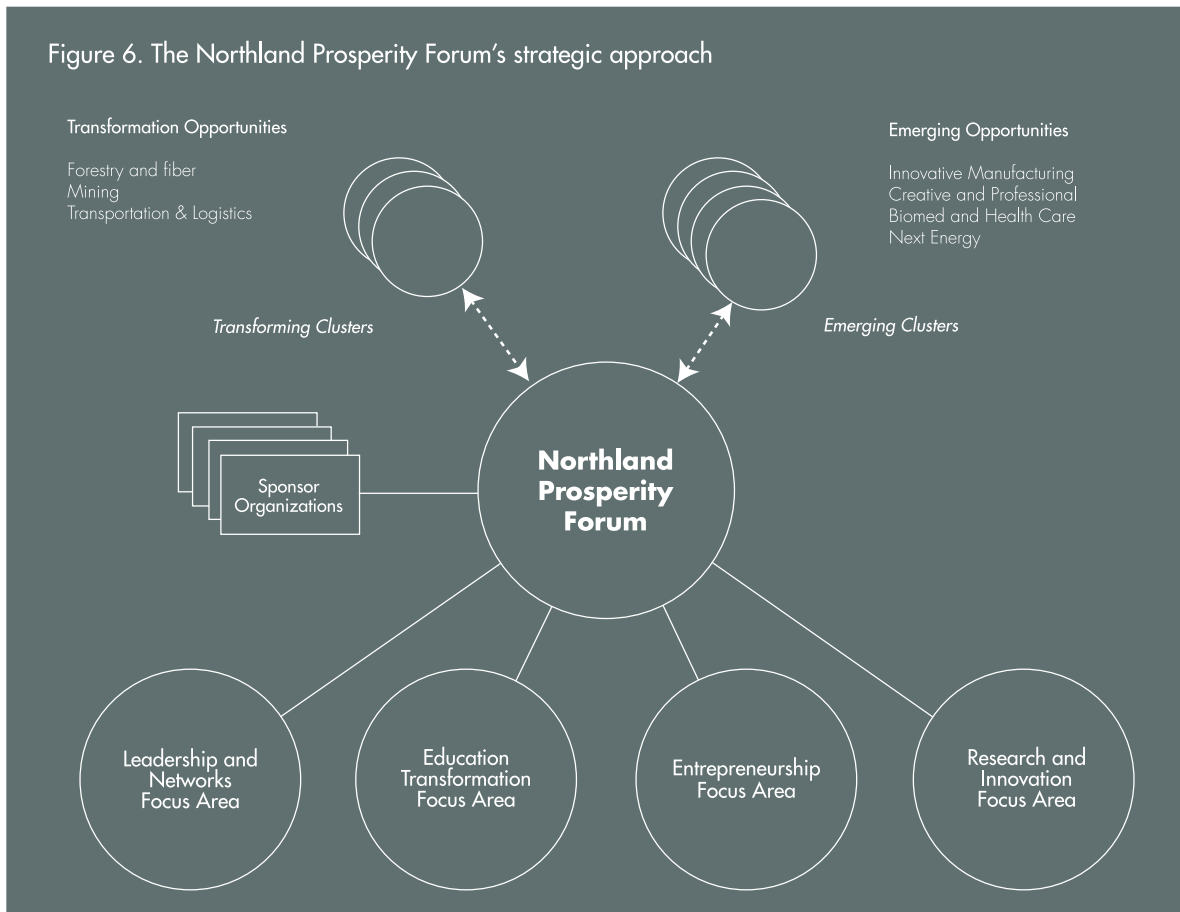
- Our strategic action plan will evolve—it will never be final. We will continually make adjustments as we link additional assets to new opportunities and learn what works.
- We will change the culture in our region by taking innumerable small steps that demonstrate the value of collaboration.
- We will transform our region by investing in initiatives that are replicable, scalable, and sustainable.
- We will continually ask ourselves: What could we do together? What should we do together? What will we do together?

Every journey begins with first steps. To keep the momentum rolling, we have identified several first year initiatives, as well as partners to lead these efforts. The list is not exhaustive, but merely a starting point for our evolving plan.

PROSPERITY NETWORKS—INITIAL ACTION PLAN			
Focus Area	Action Item	Responsible	By When
Regional Collaboration & Leadership	Launch Prosperity Networks (Northland Strategy Report)	Northspan	1Q, 2010
	Launch Prosperity Forum	Northspan	1Q 2010
Education Transformation	Relaunch and expand The Northland Works public education campaign	WIB Collaborative	3Q 2010
	Develop prospectus to build upon the successful Regional Applied Mathematics Project and expand concept throughout the region to other science, technology, engineering, and mathematics (STEM) disciplines	Northeast Higher Education District and other regional educators, including those serving Wisconsin	2Q 2010
	Develop prospectus for expanding Applied Learning Institute	Iron Range Resources, Northeast Higher Education District, and other regional educators	2Q 2010
Entrepreneurship	Draft prospectus for collaborative business support network	APEX, NEF, UMD CED	1Q 2010
	Launch business ideas competition	Iron Range Resources, APEX, Greenstone Group, Iron Range Engineering, UMD CED	1Q 2010
	Develop prospectus for expanding CEOs in the Classroom	Grand Rapids Chamber of Commerce	1Q 2010
Research and Innovation	Draft prospectus on wood products cluster	NRRI	1Q 2010
	Conduct initial meeting of wood products cluster	NRRI	1Q 2010
	Develop prospectus for expanding NorthlandConnection.com Web site	Northspan	1Q 2010
Additional Initiatives to come...			

INTRODUCING, “THE NORTHLAND PROSPERITY FORUM.”

Moving forward, a new collaboration will guide this strategy—the Northland Prosperity Forum. It will include the core group of individuals who crafted our initial strategy, plus others who share in the vision. Hopefully, you will join us.



The Northland Prosperity Forum is a network of people committed to working together on the foundations of future prosperity in the Northland. This approach is neither “top down” nor “bottom up,” because there is no top or bottom to a network. Instead, the Forum combines open participation with leadership direction. It is a civic space where we can come together to do the complex, focused thinking we need to do cooperatively.

Our world is economically volatile. Dynamic changes continuously create new opportunities. To seize them, we must communicate regularly and respond rapidly—with the full force of our region’s resources. The Internet is a crucial tool. Creating and using an online civic space will bring our large, diverse region closer together. It will allow new people to join our conversations easily and quickly review what we have done. It also will reduce the number of face-to-face meetings required to keep the momentum going.

“There is a key difference between action and activity. Action is trying to get somewhere. Activity just keeps us busy. Aligning the efforts of partners around this table and using their collective wisdom will help us define action in a much more effective way.”

Nancy Norr, Minnesota Power

WE HAVE AN OPPORTUNITY...
NOW IS THE TIME TO ACT.

Our rapidly changing global economy and immediate access to technology, ideas, and talent present a number of new challenges and opportunities for the Northland. We can choose to become an advanced regional economy built on new approaches to education, innovation, entrepreneurship, and sustainable wealth creation—or we can stay the course with unknown consequences for the future.

We choose to act, and we invite you to join us in developing *Prosperity Networks*.

OUR PARTNERS

THE NORTHLAND WORKS PARTNERSHIP

- Northeast Minnesota Office of Job Training and Workforce Investment Board
- Northwest Wisconsin Workforce Investment Board and Concentrated Employment Program
- City of Duluth Workforce Council and Workforce Investment Board
- Arrowhead Growth Alliance
- Arrowhead Regional Development Commission

LEADERSHIP STEERING COMMITTEE

- Sue Collins, President, Northeast Higher Education District*
- Jerry Hembd, Director, Northern Center for Community and Economic Development, University of Wisconsin-Superior/Extension*
- Pat Henderson, Executive Director, Arrowhead Regional Development Commission
- Sandy Layman, Commissioner, Iron Range Resources (IRR)
- Bruce Lindgren, Board Member, Northwest Wisconsin Workforce Investment Board*
- Andy Lisak, Executive Director, The Development Association, Inc.
- Don Monaco, Owner, Monaco Air Duluth*
- Nancy Norr, Regional Development Manager, Minnesota Power
- Craig Pagel, President, Iron Mining Association*
- Bambi Pattermann, Dean of Continuing Education, Wisconsin Indianhead Technical College*
- Bud Stone, President, Grand Rapids Area Chamber of Commerce; Board Member, Itasca Economic Development Corporation*
- Rob West, President/CEO, Area Partnership for Economic Expansion
- Inez Wildwood, Workforce and Talent Development Manager, ALLETE*

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- Scott Hodek, State of Wisconsin Department of Workforce Development
- Mari Kay-Nabozny, Northwest Wisconsin Workforce Investment Board
- Randy Lasky, The Northspan Group
- Chris Maddy, Northland Connection, a program of The Northspan Group
- Heather Rand, Minnesota Department of Employment and Economic Development
- Jim Skurla, University of Minnesota Duluth School of Business and Economics*
- Roy Smith, Iron Range Resources
- Steve Terry, Northwest Wisconsin Workforce Investment Board and Concentrated Employment Program
- Michelle Ufford, Northeast Minnesota Office of Job Training
- Julie Zenner, JZ Writing & Editorial Services

BROADENING LEADERSHIP NETWORK

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- Mike Lalach, Natural Resources Research Institute
- Tom Lambrecht, Great River Energy
- Mary Mathews, Northeast Entrepreneur Fund
- Steve Wagner, Lake Superior College*

*Workforce Investment Board (WIB) Member