

University of Tennessee Center for Industrial Services

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Capstone

The Importance of an Existing Industry Economic Development Program in a Region Poised for
Significant Growth

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March 14, 2024

Introduction

According to TNECD, since 2021, Jackson/Madison County and the surrounding 7 counties have announced 34 projects totaling 9,604 new jobs and \$7.37B of capital investment. This is dominated by the news of Ford Motor Company/SK On announcing their new 5,600 job OEM and battery plant in Haywood County, Georgia Pacific announcing a 220-job investment, and 6k Energy announcing a 230-job investment in Jackson/Madison County. It should be noted that BlueOval **SK** is a joint venture between **Ford Motor Company** and **SK On** to produce advanced batteries for future Ford and Lincoln electric vehicles. Because of this forthcoming growth from new industry, existing industry is sometimes "left out" of the limelight as new industry comes to town. Jackson defines existing industry as a manufacturing or distribution facility that is operating, not a project that is being recruited into town or one that has recently broken ground. In a typical year, existing industries create nearly 85% of the jobs and capital investment that is announced per year, hence a successful existing industry program offered by the Chamber of Commerce is extremely important. What are key strategies for a successful existing industry program during times of significant growth? This report aims to draw on examples from communities that have experienced similar market dynamics as is taking place in Jackson, TN as the community prepares for the influx of new jobs. Case studies will include discussions with Tupelo, MS (Toyota), Chattanooga, TN (Volkswagen), and the Spartanburg/Greenville SC region, (BMW). Several questions will be asked of these communities, including "What was the economic climate like prior to the large OEM announcement?" "How was the large OEM recruited?" "How did existing industries respond to the OEM announcing in their community?" "What workforce development programs were in place prior, during and after the OEM announced?" What are the key takeaways when you think

of existing industry in your community as a large new OEM comes to town?” There are other questions to be asked, but some may arise depending on how the conversations evolve.

A successful existing industry program is paramount during a time of significant growth, so that existing industries can retain their workforce, invest in their employees, and have an opportunity to grow themselves. In the next few pages, case studies from Tupelo, Mississippi, Chattanooga, Tennessee and Spartanburg County, South Carolina will be analyzed and reviewed. The author had the opportunity to speak to subject matter experts in each local community about the impact of a large OEM landing in their community. The subject matter experts each have a unique perspective and offer valuable information that should inform the Jackson, Tennessee area about what worked well, what did not work well, and how to better serve existing industry during a time of significant growth.

Case Study 1: Tupelo, Mississippi

Maury Giachelli, the Director of Existing Industry Development with the Community Development Foundation in Tupelo, MS. Maury, and his father have worked in economic development in Tupelo for decades and have immense knowledge of the local community and the economic development realities that exist. Maury was interviewed to discuss their community, the origin of the Toyota project, how they manage existing industry relationships and what workforce development programs are successful for their community.

North Mississippi, and Tupelo in general, were known as the furniture capital of the country. This area was heavy in the textile industry, primarily in the 1940s and 1950s. The industry transitioned to heavy furniture in the 1970s and remained as such throughout the 1990s. At its height, 75% of the nation’s furniture originated from Lee and Pontotoc County. There were

a few advanced manufacturing operations, as well as a large Cooper Tire (now Goodyear) plant but it was still primarily an economy that centered around furniture. In the early to mid-2000s, the local community leadership decided that it was time to diversify their economy and they agreed to center their attention on automotive. This agreement came because China was taking the furniture business from them by supplying lower cost products.

With the goal set to recruit automotive, the community gathered to identify large industrial tracts to create a megasite. Three Rivers Development came together with Pontotoc, Lee and Union County, MS to secure a large 1,700 tract strictly for the recruitment of an OEM. They recruited Hyundai Motor Company but lost out to Alabama. However, the local team remained focused on their goal of securing a large OEM. About a year or two later, Toyota came calling and the community achieved their vision. Today, Toyota Motor Manufacturing Mississippi employs over 2,400 people. Between the OEM and its local supplier network, there are 4,000 jobs and over \$1.2 billion in capital investment.

As of 2018, there are nearly 500,000 people above the age of 18 within a 60-minute drive time of the Tupelo area. This labor area helps to provide a quality workforce, not just for Toyota and its suppliers, but for the existing furniture manufacturers and industrial park tenants. Maury echoed that once Toyota announced there was a huge concern about the existing workforce and how local industry would be impacted by this large new employer coming into town paying strong wages, but most of the existing industries chose to get ahead of the curve and their wages and benefits were improved to retain their employees. Some employees chose to leave their job and take a job at Toyota, but after working there for a while the mantra “Sometimes the grass isn’t always greener” rang true and those employees chose to return to their previous employer. This was not the case for all, but it shows that sometimes employees choose the existing industry

vs. the new manufacturer – perhaps not at first, but second. Detailed communication and consistent attention were two characteristics that the Community Development Foundation deployed that paid the most dividends. They hold a quarterly “Council of Governance” meeting where existing industries attend with the local Mayors, Aldermen, and other elected officials so that those in leadership positions can hear directly from the Foundation about the needs of industry. Another strategy is a quarterly “Existing Industry Forum” where there is an important topic to discuss, and the plant and human resource managers are invited from existing industry. A recent topic was about the proposed medical marijuana legislation in Mississippi and how this may impact the workforce.

Cast Study 2: Chattanooga, Tennessee

Steve Hiatt is the Director of Existing Business Development for the Chattanooga Chamber and has worked in economic development in the area since 1989. Steve was interviewed because of his historical knowledge that can provide a great case study about the impact of Volkswagen on the Chattanooga area.

Chattanooga, Tennessee is known as one of the key transportation and logistics corridors in the country, because of I-75, I-24, and I-59, as well as direct rail with CSX and Norfolk Southern, and the nearby Appalachian Regional Port that links the region 388 miles away from the Port of Savannah. Other major industries in town, prior to the 2008 Volkswagen announcement, include McKee Foods and Miller Industries, and white-collar insurance jobs with Cigna, BlueCross Blue Shield and Unum Group.

Prior to the recruitment of Volkswagen, the site was used by the US Military as an ammunition plant from 1942-1977 and supported fertilizer production until 1982. It was vacant

for several years and then in 2006 the Tennessee Department of Transportation put a new interstate exit nearby which prompted OEMs to look at the large site. After a near miss trying to land Nissan (which ended up going to Mississippi) Volkswagen was recruited and secured in 2008 and began production in 2011.

As soon as the project was announced, the Chattanooga Chamber began fielding calls from the automotive supplier networks. This includes Magna International, Gestamp, and several other key players. This discussion ramped up for a lot of the existing industries in Chattanooga, primarily because they wanted a piece of the pie and there was already a decent advanced manufacturing and logistics sector. One key example is an industry called Tranco. Tranco was a small logistics company that was started by two brothers, and slowly began to grow in the Chattanooga market. After the announcement of Volkswagen, Tranco was introduced to the VW team with the help of the Chattanooga Chamber, and they were able to grow their business. Another example is Woodbridge. Woodbridge is a polyurethane product manufacturer that was operating in the Chattanooga market for over 25 years but was able to get a contract with Volkswagen to grow their automotive business by providing plastic products such as their Structure Lite, Cargo Smart, Whisper Tech and Enerflex lines.

When it comes to wages, there was some hesitancy from existing industry because of the proposed wages that Volkswagen was posting. This caused downward pressure on the existing industries to increase their wages to prevent their employees from leaving for a \$1/hour more. Although it was a competitive environment, this truly benefitted the worker. Another key workforce development component was Chattanooga State Community College. They had a proven example for providing on-site training for industry – where they already had the Wacker Institute (a formerly repurposed building on the campus of Chattanooga State) specifically

designed to support Wacker Chemical, a large employer in Bradley County. This same model was discussed with Volkswagen and after the announcement, Chattanooga State Community College built an on-site training facility for Volkswagen called the Volkswagen Academy.

Case Study 3: Spartanburg County, South Carolina

Carter Smith is the former Executive Vice President with the Economic Futures Group in Spartanburg County, South Carolina. Carter worked in economic development in South Carolina for 44 years, with 27 years in Spartanburg County, and has immense knowledge of the local community and the economic development realities that exist. Carter was interviewed to discuss his community, the origin of the BMW project, how they manage existing industry relationships and what workforce development programs are successful for their community.

Upstate South Carolina was known for a long time as the textile capital of the country. This area was heavy in the textile industry, primarily in the 1940s all the way to the early 1990s. After the North American Free Trade Agreement (NAFTA) was signed in 1992, this area of the State experienced over 25,000 jobs lost to overseas manufacturing. Because of this massive labor issue, the local community and South Carolina government had to act quickly. Milliken Industries – a leading global textile company – was extremely active in the community because their corporate headquarters is in Spartanburg. Most of their mills were downsizing or closing altogether, but because Mr. Milliken was active in the community and on several local boards, he agreed that the local economy needed to diversify. The South Carolina State government began chasing automotive to fill this massive employment gap and worked closely with the nearby Michelin Tire Company corporate team in Greenville, SC. After identifying a few large industrial parcels, the State and local community had a large 300-acre tract near the regional airport. BMW was being recruited and shown a site further away but ended up shortlisting the 300-acre site by

the airport. Carter and the local economic development team, along with the South Carolina State government, worked with Lockwood Green engineering to identify adjacent parcels to grow it to 1,200 acres. After several months of spending \$35M to purchase over 115 parcels from one hundred landowners, South Carolina had their site! BMW was announced in June of 1992 and by summer of 1994, they were open and operational. Initially the project was 300 jobs to start, ramp up to around 2,000 in year 5 and invest about \$350M. Since 1994, BMW has created over 10,000 jobs on-site and over \$12B in capital investment.

When it comes to existing industry in 1992/1994 in upstate South Carolina, there were not too many players other than Milliken, other small textile companies, and Michelin in nearby Greenville. With over 25,000 people losing their jobs because of NAFTA and the textile industry shifting overseas, there was ample workforce to be found. This is unlike the Toyota and Volkswagen circumstance in Mississippi and Tennessee, respectively. BMW had remarkable success hiring those hard-working blue-collar employees who were used to a tough work environment, shifts, highly technical, and a safety mindset. When the jobs were first posted at BMW, there were over 65,000 applicants, and BMW chose to prioritize those within a 50–60-minute drive time and were living in the community longer than one year. There was a little pushback from existing industry, primarily because of the unknown and how their workers would be impacted, but it was found that of the employees that BMW hired, only about 10% were from existing industry, so there was not a mass exodus.

As of 2022, there are nearly 725,000 people in the South Carolina Upstate region, with nearly 160,000 of them in Spartanburg County alone. At the time of the BMW announcement this was not the case. Since then, the upstate region has had slower growth in the .2-.5 range, and then bumping up above 1% since 2015. With the announcement of BMW, the automotive

supplier network has grown substantially as well. One key point to make is that these suppliers are diversifying their OEM network, not just to rely on BMW but also supplying to other OEMs in the Southeastern United States. This has helped them remain competitive and provided further growth. When asked about existing industries, Carter said the conversation was much different in the 1990s, where there were not too many of them and they were all for the most part welcoming to new industry – primarily because of the rampant number of people looking for work. Today, it is a much tighter labor market but with the South Carolina Upstate region growing, this is an easier discussion to have with employers. He echoed that constant attention and sharing information is one of their key practices.

Results and Lessons Learned

When considering the local economic factors impacting Tupelo, Mississippi in 2007, Chattanooga, Tennessee in 2008 and Spartanburg County, SC in 1992, they each were quite different. Tupelo is a smaller, rural community and pulls the workforce from greater distances. Chattanooga is the larger of the three communities and did not have a particular connection to an OEM despite being a heavy logistics hub. Spartanburg County was facing a much different geopolitical reality in 1992 with the recently signed North American Free Trade Agreement which caused the textile business leaving the country in masses. Each has a unique circumstance which prompted the local community, and even state governments, to act and begin recruiting an OEM.

Some of the key takeaways that would benefit Jackson, Tennessee and the impact of Ford Motor Company/SK On towards the existing industries are to keep a consistent approach to sharing information, help with workforce development programs to ensure higher employee retention and wage increases, and allow industries the opportunity to be heard so that if a

concern is brought forth, then there's a trusted relationship there. Industries may have the opportunity to get business from the new OEM, too. Another thing is to ensure that the local economic development organization and elected officials are apprised of existing industries' needs.

Conclusion

An existing industry program is vital in communities poised for significant growth. Examples learned from Tupelo, Mississippi, Chattanooga, Tennessee, and Spartanburg County/Greenville, South Carolina provide direct examples that can benefit other communities that are impacted by the announcement of a new OEM, and other large new industrial announcements. Because of the Jackson, Tennessee market proximity to Blue Oval City, the preferred and likely solution for existing industries will be to hold monthly human resources manager roundtable discussions, provide bi-monthly or quarterly plant manager meetings, provide a forum for our elected officials to stay engaged and learn about the needs from industry, and ensure consistent information sharing and trust building.

The wage and benefits survey is something to continue and is important to highlight and discuss. As the hiring begins at Ford Motor Company / SK On, the existing industries will be competing for employees. By participating in the wage and benefits survey, industries will have the opportunity to benchmark against their peers and may allow for the chance to raise wages before the OEM is operational. Some employees may elect to leave because of better wages, but one thing to consider that may help existing industries who are unable to compete with wages is a better work-life balance. Existing industries could offer more flexible work hours or shift schedules, the chance to be closer to home, or perhaps other indirect benefits such as closer line of communication to the "boss" or plant level leader, and not have 7 degrees of separation.

Another key component that needs to be considered is the reality that exists today in a post Covid-19 world. Getting inside a manufacturing facility and building those relationships with key plant leaders is difficult, and their natural tendencies since March 2020 are to keep their doors shut. As relationships continue to build and grow, constant communication and the sharing of information will allow for a window of hope to get inside a factory. By providing value to industry, you can then achieve professional goals of better engagement and participation in Chamber events.

Lastly, as the population for the Jackson, Tennessee market naturally grows because of the increase in employment opportunities, there is a real benefit to existing industries. Everyone who chooses to relocate to the region for a job, will not just work at Ford Motor Company / SK On. Despite their large employment goals, the region will benefit from trailing spouses, and even their kids who may go on to technical school and work at another local existing industry or manufacturer. The population growth will benefit the entire region, not just the OEM.

Resources

Tupelo, MS

<https://www.cdfms.org/ed/talent-workforce/>

<https://pressroom.toyota.com/facility/toyota-motor-manufacturing-mississippi-tmmms/>

[https://www.reliableplant.com/Read/4960/toyota-to-build-\\$13-billion-suv-plant-in-mississippi](https://www.reliableplant.com/Read/4960/toyota-to-build-$13-billion-suv-plant-in-mississippi)

<https://www.iccms.edu/amt/portalid/0>

Chattanooga, TN

<https://www.linkedin.com/in/j-steven-hiatt-544669135/>

<https://www.trancologistics.com/about-us/>

<https://www.timesfreepress.com/news/2013/apr/28/woodbridge-adding-new-plant-in-chattanooga/>

<https://www.chattanooga.com/2003/4/23/35594/Steve-Hiatt-To-Head-Existing-Business.aspx>

<https://www.volkswagengroupofamerica.com/en-us/volkswagen-academy>

Spartanburg County, SC

<https://greertoday.com/greer-sc/economic-icon-carter-smith-retiring-helped-recruit-16-billion-50000-jobs/2019/03/07/>

Additional

<https://edis.ifas.ufl.edu/publication/FE651>

<https://heartlandforward.org/case-study/place-based-economic-development-a-guide-for-implemhttps://www.buxtonco.com/blog/10-steps-to-a-successful-business-retention-and-expansion-program#:~:text=One%20of%20the%20most%20important,if%20you%20have%20the%20bandwidth.entation/>

<https://eig.org/2023-business-formation-midyear/>