



## **Case: Diversifying into Knowledge-based Industries in Ponca City, Oklahoma after the Departure of Conoco Phillips<sup>1</sup>**

### **COMMUNITY PROFILE**

Ponca City (population approximately 25,000 in 2008) is located in north central Oklahoma, 90 minutes from three major cities: Tulsa, Wichita, and Oklahoma City. Some might say it is in the middle of nowhere; on the contrary, Ponca City has marketed itself based on its central location, which allows it to serve as an effective hub for distribution and for manufacturing, research, and corporate facilities. Ponca City also has small-town advantages such as low crime, a low cost of living, and a close-knit community.

Oil has been king in Ponca City since it was first drilled in 1911. For most of its 100-year history, the city had been a one-company town as the headquarters for the Conoco Oil Company. At its height in the 1980s, Conoco employed over 5,000 people in research and development, refining, human resources, management, and more. Ponca City was not only a one-company town but a one-industry town, with the local economy 80 percent oil-dependent and totally invested in the success of Conoco.

### **IMPACT OF THE CONOCO PHILLIPS DEPARTURE**

Ponca City was first hit by major downsizing at Conoco in 1993 when approximately 1,400 jobs were cut, resulting in an annual payroll reduction of \$40 million. This precipitated an economic slowdown in the city and county in 1993 and 1994. The unemployment rate, which had always been well below the national average of six percent, jumped to 12 percent and unemployment compensation claims more than doubled from the previous year. Then in 2002, Conoco merged with the Phillips Petroleum Company and laid off more than 3,500 workers. While Conoco once accounted for 50 percent of the jobs in Ponca City, Conoco-Phillips now accounts for just seven percent, or 1,400 jobs. The town's psychology and identity was rocked by the downsizing of its one major employer.

### **PURSUING AN ECONOMIC DIVERSIFICATION STRATEGY**

#### *Establishing and Funding a New Economic Development Organization*

With the need for economic diversification away from the oil and gas industry highlighted, Ponca City established the Economic Development Advisory Board (EDAB) as part of the Ponca City Chamber of Commerce in 1994. Its explicit mission was to diversify the Ponca City economy away from oil and natural gas. In conjunction with the establishment of EDAB, Ponca City adopted a half-cent sales tax

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measure for economic development. EDAB used this funding to attract two major employers to replace the jobs lost at Conoco. EDAB also supported approximately 20 other smaller businesses through economic development funding incentives.

In the wake of the Conoco-Phillips merger and downsizing, Ponca City made significant changes to its economic development delivery system, creating the Ponca City Development Authority (PCDA) in 2003 out of EDAB. PCDA started with an evaluation of community assets and developed a plan to connect with existing businesses and to revitalize the city's workforce.

#### *Creating a Proactive Business Retention and Expansion Program*

PCDA set up a business retention and expansion (BRE) program to understand and address the needs of existing employers in the community. The BRE program focused on three issues: understanding the needs of the businesses, providing business and industry intelligence to help them become more competitive, and providing worker training.

Regular visits to businesses in order to develop and strengthen relationships became the cornerstone of the BRE program. PCDA staff called these "doughnut runs"—literally showing up at the doorsteps of businesses with a box of doughnuts in the morning and talking to them about their needs. Not all employers were welcoming at first. Many were skeptical of a renewed interest from the local government about business needs, and PCDA felt some pushback from the business community. "Where does it hurt?" and "what's your point of pain?" were typical conversation-starters for PCDA staff to learn about a variety of issues facing local businesses, not all of them within the traditional economic development realm. The most valuable part of the program was PCDA staff linking businesses with appropriate resources for issues beyond their realm of control. This helped them develop trust and intimacy with the business community.

#### *Collaborating with a Technology Center to Train the Workforce*

As a major component of improving the competitiveness of Ponca City businesses, PCDA collaborated with the Pioneer Technology Center to deliver workforce training services. Pioneer Tech, a public career and technology education center located in Ponca City, is part of Oklahoma's statewide vocational education system, run out of its Department of Career and Technology. Programs at Pioneer Tech are designed with the single aim of advancing its students' careers, whether they are high school students who need advanced calculus training or workers who need a new skill to move up the value chain.

Pioneer Tech emphasizes its flexibility in assisting businesses. For example, Mertz Manufacturing, LLC, a metal works company and manufacturer of heavy metal equipment, had a need stemming from a particular contract for a specialized welding skill. PCDA worked with Pioneer Tech to design a training course for 40 workers, allowing Mertz to win the contract and add 100 good jobs to the local economy. Another example of successful partnership between PCDA and Pioneer Tech was to serve Sykes, an inbound call center. Pioneer Tech provided in-house computer training for retired senior citizens to make them comfortable with computer terminals in order to meet the needs arising from a contract. The company won the contract and added 200 jobs to the local economy.

### *Building an Industry Cluster around a Technology Lab*

One of the biggest successes in Ponca City's efforts to develop knowledge-based jobs is the University Multispectral Lab (UML). As part of a study done in 2003 by PCDA and Oklahoma State University on the region's industries, Ponca City discovered a possible niche in the field of sensor technology, a \$10 billion industry annually in the United States. Ponca City, through a partnership among PCDA, the Oklahoma State University, and ConocoPhillips, embarked on the development of a national sensor testing and evaluation center that would allow military, commercial, and university researchers to work on sensor technology in a single location. UML opened in June 2008 and currently has 52 employees; it is projected to employ at least 120 at full capacity. This has resulted in the creation and attraction of a number of other businesses that want to locate close to UML.

This early success in developing knowledge-based jobs further helped PCDA attract and develop businesses in technology and professional services. These companies are either working with UML staff in the development of proprietary products or taking advantage of the UML lab space and assets for further research and development. At the same time, Ponca City continues to build on its traditional assets in manufacturing. It is now focused on advanced manufacturing, diversifying from the oil and gas industry into aviation, niche products, and consumer goods.

### *Nurturing Entrepreneurship through an Incubator Facility*

Pioneer Tech is also home to an incubator for small businesses. The Pioneer Tech Business Incubator was established in 1991. It is operated through partnership agreements with PCDA, the chamber of commerce, and Workforce Oklahoma (the state unemployment office.) A majority of the businesses locating in and graduating from the incubator are engaged in light manufacturing. The incubator also provides some space for offices. The Pioneer Tech Business Incubator offers typical incubation services, providing workspace at discounted rates as well as shared services and technical assistance to fledgling businesses. It also offers entrepreneurship and skills training (such as assistance with developing business plans, loan proposals, or feasibility studies), management development, OSHA compliance, help with recruitment of workers, and both soft and hard skills training, all in one location. By locating in a certified incubator like Pioneer Tech's, business owners also can access tax incentives from the state.

In its almost two decades of operation, the incubator has had many successes. A total of 40 businesses have graduated from the program, with 86 percent still in operation and a total of 120 jobs created by those businesses. Many of the businesses graduating from the incubator feed into the supply chains for the petrochemical, science and technical research, and service industries.

## **RESULTS**

PCDA's emphasis on quality jobs in knowledge-based industries has positively impacted the local and regional economy. Companies locating in Ponca City have produced a higher percent of knowledge-based jobs and higher average pay since the creation of PCDA in 2003. Ponca City also has won awards for retaining and expanding businesses. In May 2008, it received an award

for the best business retention program in North America (of communities under 50,000) from Business Retention and Expansion International. It also won an award from the International Economic Development Council for Economic Development Excellence in the Partnership category for its University Multispectral Lab which is adding to the high-tech base of the economy. The main reason that businesses have been able to expand and that PCDA has been able to win funding and clients for the Multispectral Lab is because of its proven record of recruiting, training, and matching workers with business.

## **SUMMARY**

Ponca City could have tried to replace the jobs it lost from Conoco using the one-company, one-industry model that was the local economy's historic base. It could have tried to recover in the quickest, cheapest way possible by attracting a large manufacturer with a package of local and state incentives. Instead, PCDA took the opportunity to transform the city's economic base to significantly reduce its dependence on oil and to develop high-tech, knowledge-based jobs that are paying higher wages. It also has been loyal to its existing companies and has nurtured their expansion.

Ponca City's economic development strategy was to build a strong workforce that could fuel the growth of startup companies, the expansion of existing ones, and the attraction of new companies. To that end, Ponca City has dug deep into its population, invested heavily in training its existing workforce, and attracted highly-skilled workers from outside, including veterans and students from four-year universities outside Ponca City. It also took the creative and resourceful step of instigating its own scientific research lab. Ponca City has shown that it's not just interested in filling vacancies; it is investing in the full range of potential and existing workforce talent as the foundation of an economically competitive, equitable future for the city and its residents.