# EDRP LEADER SERIES

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**Economic development organizations are working harder than ever since the economy turned upside down in March. How are leading EDOs meeting the challenges covid-19 brings to their businesses, communities, and organizations? This brief is one in a series featuring responses from members of IEDC's Economic Development Research Partners (EDRP) program.**

## Managing EDOs During a Crisis *– Part 1 of 2*

**In general.** Most economic development organizations interviewed for this series quickly shifted to working remotely in mid-March, and many were continuing to do so as of early June. For most, the shift to remote work was quick and relatively smooth. All reported quickly getting used to doing many things formerly done face-to-face – from board meetings to site selection tours and public forums – on Zoom, Google Meet, or Microsoft Teams.

Events-driven organizations, such as chambers of commerce, face unique challenges. Many have postponed events until the fall. Others have been working to figure which events can become virtual, how to execute them online and what people are willing to pay (e.g., events could become watch parties of 20 to 30 people in various locations at once, rather than 300 people in a room).

For many organizations, particularly those focused primarily on external marketing, business development travel evaporated suddenly and absolutely, at least in the near term. There was little consensus among interviewees in terms of when travel would resume – times cited ranged from late summer to fall or possibly 2021. In the meantime, many EDOs have gone forward with virtual site visits and virtual trade missions. Given the comfort that many people now have with meeting virtually, some economic developers speculated that their jobs would require less travel than in pre-pandemic times. All noted that the travel reduction has been a significant saver of both money and time.

Several EDOs mentioned (with some surprise) that they had experienced minimal slowdown in deal flow over the last couple of months, as projects continued to move through the pipeline and new inquiries continued to come in. One EDO manages an angel fund that has continued making investments over the last two months.

**Budgeting and fundraising.** Budget concerns ranged among organizations. Some, particularly chambers and public-private partnerships, took immediate steps to tighten up their finances. Others were less concerned at the moment, but speculated that 2021 could be difficult. Said one economic developer, “Right now we are fine, but I think we will see changes in revenues in the back half of the year that concern me.”

Very early, one partnership cut nearly $600,000 from its budget for the year, which included 401(k) contributions to staff. If the organization does not make its budget, it plans for leadership to take a 20 percent pay cut; other staff will take a 10 percent cut. Another partnership made the decision to cut its budget by a third.

Rather than trying to put together a budget for the fiscal year starting July 1, one EDO decided instead to use an enhanced finance committee to conduct a monthly review of cash flow, expenditures and revenues until the organization has a better idea of the impact on its finances.

Some EDOs that are 501c3 organizations applied for and received a Paycheck Protection Program loan. (All representatives of 501c6 organizations cited frustration at not being able to apply for PPP funding, especially given the quick drop in chamber dues.) Lara Fritts, president and CEO of the **Greater Richmond Partnership**, said PPP funding will help keep the organization stable going to into the first quarter of next year, given the likelihood that local government partners will scale back funding. Fritts believes GRP will see a decrease private-sector funding as well: "We hope our investors stay with us, but our budget will plan for the worst and hope for the best."

So far, all of the **Greater Yuma EDC's** five public sector partners have committed in next fiscal year's budgets to maintain their commitment levels. Like other public-private partnerships, it sent first-quarter invoices to its investors with a message offering flexibility regarding its payment. The **Northeast Indiana Regional Partnership** and others took a similarly flexible approach to investors who may be unable to make payments at the moment: "The goal is to keep them at the table, fully engaged, ready to lead and guide the region going forward," said John Sampson, the partnership's president and CEO.

Among organizations that receive multi-year pledges from investors, some have asked those investors to pre-pay this year for a future year or two. "We have a campaign cabinet and they have been very helpful in identifying some of these investors and calling them for us. A number of our key investors have 'paid it forward'," said Birgit Klohs, president and CEO of **The Right Place**.

A number of EDOs mentioned having a cushion of operating reserves going into the pandemic. The **Northeast Indiana Regional Partnership** had eight months of operating reserves and hopes to enter 2021 with four to five months' worth (its bylaws require the organization to maintain 6-9 months of operating reserves). Still, it implemented a contingency plan to control expenses.

**Staffing.** Most EDOs have been able to avoid layoffs, but not all. One chamber laid off three people, but hopes to rehire them by late summer; another furloughed six individuals.

Several organizations that previously had staff focused on events have reassigned them to other duties, such as outreach to businesses. **Southwest Michigan First** reorganized its structure to change an events team into a team focused on small businesses and retail, formerly not a focus of the organization.

Arkansas is one of 28 states with a shared-work program (a.k.a. "short-time compensation"), in which the state provides partial unemployment benefits to employees whose hours have been reduced. The **Little Rock Chamber of Commerce** is using the program to avoid reductions in staff. It reduced employees' hours to 60 percent (24 hours a week) – payroll the organization covers – while the state covers the remaining 40 percent. "This has allowed us to move some of the payroll expense off our balance sheet for a period of time," said James Reddish, executive vice president of the chamber. (According to Reddish, historically just a handful of Arkansas companies take advantage of the program each year; so far, more than 50 firms are using it in 2020.)

**Engaging with boards/investors.** Many EDO leaders have taken advantage of the crisis to communicate more regularly and more personally with their investors and board members. EDOs are using the opportunity to both provide their volunteer leaders with information and points of connection that benefit them in their "day jobs," and also to keep them informed of the EDO's activities. For some, that took the form initially of a daily email; now, many have scaled back to weekly or twice weekly.

"Communication is key right now," said Lara Fritts of the **Greater Richmond Partnership**. "We have been very transparent with our investors – 'here's what the team did this week'."

**Southwest Michigan First** has been diligent in collecting data on all its covid-era activities to report to its leadership. Pre-pandemic, the organization's large board of directors (67 members) was broken into smaller groups, by industry, for more focused conversations. During the pandemic, the board groups were reorganized to include a mix of industries and met by video weekly to talk through the issues they were facing and learn from each other (e.g., regarding effective practices for remote working, how to obtain a federal grant or secure PPE for staff).

*Next week's brief – part 2 of Managing EDOs During a Crisis – will focus on partner engagement, leadership and more.*

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