

Cluster Development Guide

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Introduction

This guide was modeled after the development progression of the Redwood Technology Consortium (RTC). The RTC is a 501(c)3 non-profit public benefit corporation organized to serve as the primary information and educational resource on issues related to the technology industry on California's North Coast. It was founded in 1997 by a small group of individuals interested in technology and has grown in less than 10 years to more than 125 members in all types of businesses and organizations. RTC is considered to be synonymous with the Information & Technology (IT) cluster in the *Prosperity!* economic development plan of Humboldt County, CA.

The current RTC board members are professionals who own or work in tech-based businesses, economic development, and education. Many RTC members are tech-based business owners or employed by organizations that are dependant upon technology to conduct their business. RTC also has a strong cadre of members who are savvy in the managerial aspects of businesses and organizations. As an organization, RTC functions on a professional level with a 'get-it-done-now' business sensibility. Because of this expertise and the history of developing the IT cluster, RTC can assist other clusters in their organizational development.

In the last 2 years, RTC has experienced rapid organizational development. The process is far from over and will be constantly refined through time. RTC hopes to provide a roadmap to help other clusters develop and function more effectively. The roadmap is not "one size fits all" and will probably have to be modified to fit each cluster's needs.

The Roadmap

1. Gathering Information and Identifying Leaders –mapping the terrain

Define what the cluster is and who are stakeholders. One wants to literally draw a map of all the people, organizations, businesses, places, and other elements that play (or could play) a part in the industry cluster. This is a brainstorming session that can involve many people. This map will allow you to think big picture as well as minute detail. You will not only want to know about your cluster but also learn about economic development. A useful starting place is the Humboldt County Department of Economic Development. They created a document called “Prosperity! The North Coast Strategy. It provides a primer for economic development as well as detail about your cluster. This mapping process will continue as you move through the other steps and change through time.

2. Interviews –Stakeholders and other similar organizations

This is a great way to learn and create interest and buy-in to the cluster development process. Interview people that you know are interested and people that you think should be involved. Think about what you want to gain from this process because it is time intensive and you will talk to a lot of people. In the appendix are the questions that RTC used. Themes will start to bubble to the surface; some will be surprises. All the answers should be compiled and themes outlined in a report. Be sure people feel open to speak candidly; don’t attach names or identifiers to the comments (anonymity). If possible, have a neutral person conduct the interviews. For RTC, this was an effective way to learn what people were thinking, discover who the opinion leaders were, and have a detailed baseline for the organization. RTC board members also interviewed and visited organizations similar to RTC in different regions. It was incredibly useful to visit other organizations and to see what lessons they had learned along the way. The visits created a friendly environment for ongoing cross pollination of ideas and information sharing. The themes that come out of this process will help to guide the rest of the organizational development process.

3. Identify Key Players and Champions

You will notice that certain names appear over and over during your interview process (some because they are difficult to work with). These will be your key players and a subset should be included in the organization’s mission and vision development phase. It is important to get the opinion leaders in on this process early. They will help look at the process in favorable light. Some opinion leaders are not interested in participating in the work, but keep them informed about the process and ask their opinions. The champions are the people that get things done and will ‘toot the horn’ for the organization. Sometimes they have dual roles as opinion leaders also. Find ways to publicly acknowledge and appreciate your champions.

4. Creating a shared Mission & Vision

There are a lot of resources out there for crafting mission and vision statements. This could be a place to get outside help in facilitating the process. It can become quite difficult to have a large group involved in the actual crafting of the mission and vision statements. Create mission/vision in the small group and bring it out to the large group for fine tuning (if needed) and approval.

Your mission and vision will guide you in most of your decisions. Frequently ask if the work you are doing is furthering the mission of the organization. Groups who don't follow their mission and vision often are chaotic and appear to be chasing after too many things (e.g. grant money and creating programs that fulfill the funder's goals but not the organization's goals), or they have tunnel vision and don't recognize potential opportunities.

5. Strategic Plan

A strategic plan will guide the organization for a 3-5 year span. If the industry is constantly changing, your cluster might favor the shorter span. RTC has a 3 year plan. Strategic plans need to be reviewed annually and have a new plan in place at the completion of the old plan. There are many resources and guides for developing strategic plans. Annual evaluation is also valuable for seeing how much has been accomplished and celebrating milestones, even though progress may have seemed slow. Develop a cluster work plan as part of the *Prosperity!* economic development plan.

6. Annual Plan

An annual tactical plan is generated from the strategic plan. It has more detail and answers the question, "What does the organization need to do to meet its strategic goals?" It is usually just for the year. Prioritize items in your annual plan. RTC used a simple high, medium, low designation. Tasks will have the name of who is responsible and a date for the completion of the task. Annual plans can be further broken down to work plans which cover even more detail. Detailed plans can help you create a budget.

7. Financial Plan

RTC is financially a simple organization. We have created a budget with cost projections for expenses that will enable us to complete our work plan. Because we have prioritized items in our plan, we know which projects we will have to sideline if revenue goals are not met. After your first year, you should have a good idea of how much money it takes to keep the basics of your organization going. Use a separate budget for special projects such as grant funded, or contracted work. Review and update your budget monthly, to track your financial progress.

You will also need to consider revenue sources. Traditionally, many organizations depend upon grant awards, fundraising events, or income generating projects. Other ways to raise money include sponsorships, memberships, and profitable projects. Also consider in-kind donations of services and volunteers. RTC is implementing a tiered membership structure to increase sponsor revenues for the organization. You must plan how you will generate cash to keep the organization functioning.

8. Organizational Structure

Are you going to be a loose association of people that share ideas or a more formalized group that will apply for grant funds or advocate for your cluster? There are a number of possible organizational models, each with associated benefits and headaches, including the following:

- **Private Venture** - A business is created to serve the needs of the cluster. It could be a single business or a consortium of businesses working together cooperatively. Cluster members are the clients and pay for services like marketing, advocacy, and product

development. This pooling together of resources essentially creates an economy of scale with buying power and leverage. Good management and vision is important and there is lots of freedom and creativity when successful. There is less work for customers; they just keep paying the fees to get the services. The business has control of the vision; this could become contentious if clients don't agree, but they could stop buying the product. Usually, businesses do not have direct access to grant monies.

- ***Adoption by an Umbrella Organization*** – A cluster could operate like a nonprofit under the auspices of another nonprofit organization. Advantages to this route is that the cluster can 'try-on' non-profit status, have access to grant funds and have support from the parent organization in the form of office space, staffing, and equipment. Caveats include: an appropriate host must be available and willing to host the cluster; and the umbrella organization can take a big cut (10-20%) of grant funds awarded to the cluster for administrative costs. Some public organizations (universities, local/state government) will provide administrative support for special projects.
- ***Non-profit*** – “Hey, let's just start a non-profit and apply for a grant!” It sure sounds appealing and simple. Living off of grant funding can be a difficult existence and not all non-profits can receive grants. Grant funds are often awarded for specific projects and only cover a percentage of basic organizational overhead costs like rent, lights, and staff. Most require a cash match of between 25-50%. Some organizations survive on a patchwork of grant awards and can spend 20-30% of their time applying for grants and reporting to granting agencies. Also, due to the recent economic decline, the number and size of grant awards has dwindled while the number of non-profits has increased. Needless to say, grant funds are not 'easy money'. Finally, filing for nonprofit status costs money and is time consuming. That said, there are compelling reasons to become a non-profit, including: access to grant funds, tax-exemption, and community benefit. Table 1 is a comparison of different non-profit designations.

Comparison of IRS Non Profit Codes

IRS Code	Description of Organization	General Nature of Activities	Political Activity	Donations -Deductible?
501 (c) (3)	Religious, educational purposes, charitable, scientific, literary, testing for public safety, etc.	Activities of nature implied by description of class of organization	Absolute prohibition against political activity	Yes - donations are deductible as charitable contributions by donors on their tax returns
501 (c) (4)	Civic leagues (e.g. PTA, League of Women Voters), social welfare organizations, and local associations of employees	Promotion of community welfare, charitable, educational or recreational	Limited amount of lobbying provided that the lobbying is related to the organizations exempt purpose.	No - donations are not deductible as charitable contributions. Businesses sometimes deduct as advertising
501(c)(5)	Labor, Agricultural, and Horticultural Organizations	Educational or instructive, the purpose being to improve conditions of work, and to improve products and efficiency	Limited amount of lobbying provided that the lobbying is related to the organizations exempt purpose.	No - donations are not deductible as charitable contributions. Businesses sometimes deduct as advertising
501 (c) (6)	Chambers of commerce, trade boards, real estate boards, and other types of business leagues	They are characterized by a common business interest, which the organization typically promotes	Limited amount of lobbying provided that the lobbying is related to the organizations exempt purpose.	No - donations are not deductible as charitable contributions. Businesses sometimes deduct as advertising; dues may be deductible as business expense

9. Board and Staffing

Decide about your board of directors, by laws, and organizational structure. Ask, “Who will do the daily work?”: your board of directors or another staff person? Many organizations are a total volunteer effort in the beginning years. RTC just hired a contractor on a 20 hour per month basis to do administrative tasks...after almost ten years of doing everything as an all volunteer organization. Needless to say, RTC board burn-out has been an issue, given their initiatives over the past six years.

Currently, RTC has a five member board of directors. Other organizations we interviewed had between 5-40 board members. The size of the board should be determined by how you want it to function (e.g. fundraising, cluster formation, community outreach, projects, etc). All organizations depended upon volunteers and often used a committee structure to organize tasks. Local organizations, like the Volunteer Center of the Redwoods, provide volunteer management workshops as well as materials about effectively utilizing volunteers.

10. Community Awareness of and Participation in Organization

Think about ways to generate interest and participation in your organization around the region. RTC’s web site and listserv are used by local residents and RTC members as well as out of the area organizations who want to keep up with what’s going on in the IT cluster and with businesses in Humboldt County.

Events can generate interest in the organization. While the annual Tech Expo generated a lot of RTC interest for 8 years, the RTC board has decided not to continue putting it on. Instead RTC is focusing on forums geared toward community leaders and elected officials to educate on issues in tech and telecom policy and implementation.

Consider writing newspaper columns about your cluster; weekly RTC Tech Beats provide educational material to newspaper readers and are good marketing for the organization. Speak in front of organizations as often as possible, a couple examples being Rotary or Chamber of Commerce meetings. Cluster members should actively participate in committees and boards around town, thus networking with other organizations and individuals to market the organization.

Conclusion

The RTC started on its journey about 9 years ago as a very small group with common interests meeting in someone’s living room. It has grown to more than 125 members and a listserv of over 300. RTC has become synonymous with the IT cluster on the North Coast. Progress was slow and required persistence and patience by a small group of volunteer board members. Awareness of technology and telecommunications is up around the region thanks to RTC, and working together as a group promotes the IT cluster as well as IT services to other clusters. RTC hopes that other clusters can learn and grow from our experiences.

Appendix

Resources

Humboldt County's Economic Development Strategy

<http://www.northcoastprosperity.com/>

View cluster development plans and learn about economic development.

Board Source

<http://www.boardsource.org/>

Useful to board members as well as those that work with non-profit boards. One doesn't have to be a member to view many of the helpful articles.

IRS Charities and Non-Profits

<http://ftp.irs.gov/charities/index.html>

This site provides details about the different nonprofit designations and what activities are allowable.

Humboldt Area Foundation and the Rooney Resource Center

<http://www.hafoundation.org/>

The HAF is a great resource for community based organizations, providing assistance and resources to the non-profit community.

Cascadia Center for Leadership Development

<http://cascadialeadership.org/>

Cascadia offers a comprehensive leadership training as well as workshops and luncheons. The leadership training is a great place to learn about creating high quality organizations.

Redwood Technology Consortium

<http://www.redwoodtech.org/>

Read the Stakeholder Report, RTC Business Plan, and other organizational information. Contact the RTC board for specific questions.

Volunteer Center of the Redwoods

<http://www.a1aa.org/vcor/index.html>

Questions for Stakeholder Interviews

1. Past and Current RTC Leadership Interviews

What is the history of RTC?
What are the strengths of the organization?
What are the weaknesses of the organization?
Where do you see RTC going?
What is your vision for the organization?
Who are the most influential people within RTC?
Who would you like to see involved/included?
Who is left out?
What are the most pressing concerns in the current organization?
How did you first become involved?
What motivates you to stay involved?
What changes would you like to see in RTC?
Where does RTC fall short?
What concrete steps need to be taken to move forward as an organization?
Who else should I be talking too?
What other questions should I be asking?
Other comments?

2. RTC Membership Interviews

How long have you been a member of RTC?
How did you find out about RTC?
What is the greatest appeal or potential appeal of the organization?
What benefits should RTC provide for a membership?
What are the benefits of RTC membership?
What should RTC pay more attention to?
Do you have any negative impressions about RTC?
What do you think could be improved about the organization?
What stands between you and greater participation in RTC?
Do you have other comments or suggestions?

3. RTC Community Partners

What is the greatest appeal or potential appeal of RTC?
What are the strengths of RTC?
What are the weaknesses?
How can RTC and the local university and college work together?
What could RTC be doing in this community?
Who is left out?

Who would you like to see involved?
What motivates people to become involved?
Other comments?

4. Non-Member Individuals and Businesses Interviews

Are you familiar with RTC?
What have you heard about RTC?
What is your impression about RTC?
How could a local technology group assist your business?
Have you had an opportunity to join in the past?
What benefits would RTC have to offer for you to join and stay?
Do you have any comments or questions?