



MEDA Economic Development Basic Course

Managing an Economic Development Organization (EDO)

September 9, 2026

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What You Need to Know About Managing an EDO

- What are the different types of economic development organizations?
- How do you structure an EDO?
- What is the focus of your work?
- Where do you get the \$ to fund it?
- Who does the actual work?
- What does success look like?
- How do you communicate it?
- How can EOS help your internal processes?

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Economic Development Organizations

- There are a number of different public, private and non-profit partners that have a role to play in economic development
- Some of the most typical ones include:
- Local ED agencies (can be public or private or a partnership – more later)
- Regional ED groups (DRP, LEAP)
- Michigan Economic Development Corporation
- Chambers of Commerce

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Economic Development Organizations

- Local, State and Federal Governments (both staff and elected officials)
- Workforce Development (Michigan Works, colleges & universities, vocational training, K-12)
- Utilities (power & gas, water & sewer, broadband)
- Transportation Providers (MDOT, railroads)
- Real estate brokers
- Bankers

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Economic Development Organizations

- Michigan Department of Agriculture & Rural Development
- Apex Accelerator (government contracting)
- Small Business Development Center
- Michigan Manufacturing Technology Center
- Definitely not the entire list!

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Economic Development Organizations

- Today we want to look at what brings all of these parties together (and represents the majority of MEDA members) – local economic development organizations (EDOs)
- There are three primary structures:
- Public
- Private
- Public/private

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EDO Structure

- Public EDOs are found at all levels of government (city, township, village, county)
- Governed by either a directly elected board (e.g. city council) or one appointed by the board (e.g. economic development corporation, brownfield redevelopment authority, local development finance authority)
- Must abide by typical public body rules (e.g. Open Meetings Act, Freedom of Information Act) – makes business confidentiality challenging

EDO Structure

- Private EDOs are typically incorporated as a non-profit business association (501c6) or charitable entity (501c3), and are usually formed at the city, county or regional level
- Governance is through a board of directors representing a cross section of industry types (e.g. manufacturing, construction, banking, real estate)
- No requirement to disclose anything to the public

EDO Structure

- Public/private EDOs organized in the same fashion as a solely private one
- Governance is also the same, but includes representation from the public sector
- Meetings/activities can be held privately, but public representatives usually make reports on organizational activities to their respective boards

Core Focus

- Public EDOs look at what is best for all of their taxpayers
- Main considerations include:
- How much revenue does a particular project bring in?
- What are the governmental costs required to service it (e.g. water, sewer, police, fire)
- Do they need incentives?
- Does it have added benefits that improve the quality of life of the community and provide opportunities to residents and other local businesses?
- Does it fit the master plan?

Core Focus

- Private EDOs' main concern is the success of the business community
- The work plan is based on activities which encourage investment and job creation by companies, which in turns drives the economic growth in the area
- This can lead to conflict with public bodies which have different factors to consider (e.g. use of incentives)

Core Focus

- The public/private EDO essentially serves as a balance between the two, encouraging business growth but also focusing on making a positive public impact
- Key to success – educating both sectors on the importance that they both have, that they are in this together, and that the EDO can be the force to unite them



Who Pays?

- The public EDO is funded through some form of taxpayer dollars, but can be done different ways:
- General fund
- Tax capture authorities (brownfield, downtown development, local development finance)
- Water and sewer funds
- Separate millage
- Still negatively impacted financially by Michigan's past economic downturn



Who Pays?

- For private, companies write the checks to support the organization
- Due to the corporate structure (501c3 or 501c6), these contributions can provide significant tax benefits as either a business expense or charitable contribution
- Most firms have been profitable in recent years and see direct benefit from ED work, making it easier to secure funding

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Who Pays?

- The public/private model has the largest potential for funding, as it can combine both sources of revenue
- Usually done with some type of capital campaign, promoting the benefits of economic development to both groups, with certain benefits for levels of contributions (typically called investments)



Who Pays?

- For all EDOs, transparency and accountability with \$ is key
- An annual audit should be conducted by an independent CPA firm to assure taxpayer/investor funds are being used wisely

Doing the Work

- Public EDOs have different ways they are staffed
- Full-time economic development professionals
- Team members who wear multiple similar hats (e.g. planning and zoning directors)
- Elected and appointed officials can also get involved, creating an interesting dynamic (and sometimes power struggle)



Doing the Work

- Private EDOs almost always function with full-time paid staff, as most companies are too busy running their business to get involved in day to day activities
- The board of directors is still critical in driving the overall direction of the organization with a strategic plan, as well as fundraising
- Making sure they understand and embrace their role is vital

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Doing the Work

- Once again, public/private EDOs function much like the private model, with paid professionals doing the work and reporting to a board of directors that provides oversight and guidance
- The difference is in the board dynamic, as there are sometimes competing interests between the public and private sector, which can generally lead to broader goals for the organization's work plan

What Does Success Mean?

- With public EDOs accountable to all of the taxpayers, determining what is successful can be a major challenge due to differing opinions on what is important
- A good rule of thumb – a project brings in more public benefit (taxes, employment, positive image) than what it uses (services, incentives)
- Sometimes this is calculated, but most times it is a gut feeling



What Does Success Mean?

- The private EDO is much simpler – are you helping companies make \$?
- This could be in the form of direct service to a business, or ancillary firms that received benefit from a project (e.g. commercial loans, new building construction)
- In turn, they are usually happy to cut a check, but there is always still the “free rider” problem to consider

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What Does Success Mean?

- Once again, the public/private EDO has to take into account the needs and wants of both sectors, and has to strike the appropriate balance
- Public officials must be encouraged to have a “red carpet” mentality when dealing with companies to create a welcome environment, even if that means sacrificing some goals/resources
- Firms must recognize that the public sector needs to have the resources to provide things they need for their operations (e.g. infrastructure, talent)

Communicating Value

- Each EDO type faces the same challenge – being able to effectively communicate their good works
- Most report data metrics (taxes generated, building permits, jobs created, capital investment, employee wages, etc.)
- Mainly use written communication (press releases, newsletters, annual reports)

Communicating Value

- While all still important, it is not enough in today's "information overload" world
- "There are lies, damn lies, and statistics" – Mark Twain
- People are constantly bombarded by data, which lessens its impact and believability (e.g. studies which tell you what/what not to eat)
- What does get remembered and believed? – stories from real people and real companies that are helped by EDOs

Communicating Value

- Writing is not enough to truly capture these stories
- They need to be either in person, or to have really maximum reach and impact, capture them in pictures and videos for all to see
- A primary method to display this is social media, with frequent posts creating a virtual sense that positive economic development is happening and there is a return on investment



Communicating Value

- <https://www.youtube.com/watch?v=7ioBs1RdQoo>

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What is EOS?

- The Entrepreneurial Operating System (EOS) provides key tools to help address your organization's internal issues





What is EOS?

- What are our core values?
 - Integrity
 - Committed to Community
 - Passionate
 - Winning
 - Knowledgeable
 - Growth Oriented
 - Relationship Building

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What is EOS?

- The Accountability Chart defines roles and responsibilities for the organization
- Key roles at the top of the organization:
 - Visionary: Big Ideas, Big Relationships, Big Vision
 - Integrator: Focus, Organization, Structure

What is EOS?

- The remainder of the Accountability Chart is made to meet your organization's needs
- Three key questions to get people in the right seats:
- Do you get it? Do you want it? Can you do it?
- Must be able to honestly say yes to all three



What is EOS?

- Milestones broken down into 10, 3 and 1-year targets
- Sets aside time each quarter to address organizational focus (create 90-day rocks)
- Weekly Level 10 meeting allows you to track progress and troubleshoot as necessary - To Dos and Scorecard
- Performance evaluations are based on these factors

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Key Takeaways

- There is no best structure for an EDO – it is really dependent on what is best for the individual community, and frankly it is also often driven by the quality of the public and private sector leadership in the area
- No matter what the structure, both public and private officials need to respect each others' roles in creating a positive environment for economic growth
- The trend for funding is definitely moving toward a public/private model, as it creates the best opportunity for raising the most \$

Key Takeaways

- The relationship between staff and their governing board is critical, they both need to be in the same boat, rowing together
- No local EDO can do it alone - collaboration with all of the other public and private sector partners mentioned at the start is essential
- There needs to be an understanding and buy-in of what success for an EDO means
- It's not enough to do good work, you have to communicate it, and storytelling is the best way to do it
- Consider using EOS to help with internal processes



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Questions

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