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A. COVER PAGE

Innovation Study Title

Category Economic Vitality

Jurisdiction Name City of Virginia Beach, Virginia

City/County Manager James K. Spore

Population 440,000

Submit Innovation Study for an Alliance Innovation Award Yes [X] No []

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B. SYNOPSIS

Intent

In the City of Virginia Beach, the title of our strategic plan summarizes the intent of all we do as a city: we exist to create a *Community for a Lifetime* for our citizens. Our highly successful Department of Economic Development, distinguished among its peers as one of only 31 Accredited Economic Development Organizations by the International Economic Development Council, embraces this long-range goal as it recruits businesses throughout the world and assists with the expansion of its local business base. The high quality of services the department offers is augmented by the fact that it has a keen eye trained on the future. It is not simply the near future of five or ten years, but a future of economic vitality that lasts for generations to come.

A key indicator of success for any economic development organization is its ability to constantly evolve to meet the specific needs of the community it serves. No longer can a community rely on its quality of life alone as a successful economic development factor. Businesses are competing globally and, for them to be successful, they must demonstrate a high level of productivity, which is dependent upon the skills of their employees. Virginia Beach has long recognized the importance of a highly-skilled workforce and strategically prepared to meet the demands of local business and industry. For the past several years, our economic development office has worked closely with area high schools, trade schools, colleges and universities to ensure students graduate with the skills and proficiencies in demand by local businesses.

After years of successful partnering with local secondary and post-secondary schools, an important evolution took place with our city organization. Prompted by existing and emerging research about early brain development and its impact on later learning, city leaders began to expand their understanding of what is required for the future workforce to be successful in school and contribute to the economic vitality of the area. Research also revealed that children who enjoy high-quality preschool experiences go on to attain higher levels of education, earn higher lifetime wages and pay more in taxes than their peers¹. Slowly, a new way of thinking about early education began to take shape. In July 2011, the City of Virginia Beach incorporated Virginia Beach GrowSmart (formerly *Ready to Learn*), the city's early learning initiative, into its Department of Economic Development. Our research indicates that, to date, Virginia Beach is the only locality in the United States to officially take the position that early education is a workforce issue, rather than a social or educational one². This paradigm shift sets our city apart as a cool community now...*and* for a lifetime.

Evolution of GrowSmart and the ELC grant

The City of Virginia Beach created the *Ready to Learn* office in 1998 to coordinate programs focusing on the first five years of life. Because *Ready to Learn* had the healthy development and school readiness of young children as its main goals, it made sense to position it within Virginia Beach Public Libraries (VBPL), which was already engaged in a variety of literacy programming and other educational services. *Ready to Learn* thrived under VBPL's leadership for the next several years.

In 2009, Smart Beginnings South Hampton Roads (SBSHR) offered each of the five cities in the South Hampton Roads region (Norfolk, Suffolk, Virginia Beach, Portsmouth and Chesapeake) the opportunity to apply for a five-year, \$500,000 Early Learning Challenge (ELC) grant, which would support programs and initiatives in each community that advanced key needs in the area of early learning and development. These grants required an equal match in local public and private investment over the life of the grant, bringing the total potential investment to \$1 million in each locality. Virginia Beach, under the auspices of *Ready to Learn*, was awarded the ELC grant in late 2009. In 2010, *Ready to Learn* merged with Virginia Beach Department of Public Health's *Healthy Families Virginia Beach* program to form Virginia Beach GrowSmart.

The Economic Impact of Child Care

In 2009, at the start of the ELC grant cycle, independent consultants from the Universities of Virginia and North Carolina designed and implemented a community study to define Virginia Beach's unique needs and

challenges in the realm of early childhood education. These researchers also conducted an environmental scan of existing programs and resources available to meet those needs. Among other data, the research team reported that over 60% of Virginia Beach's children under the age of six had all parents in the labor force, indicating a clear need for reliable child care. National studies have shown the cost of child care to be considerable – a family of four can spend up to 30% of its monthly income on child care³ – a fact that, in an economic downturn, often translated to parents placing their children in subpar centers that offered child care at discounted rates. Additionally, access to affordable care has been shown to be a factor in employees' decisions to relocate to an area and the reliability and quality of care has been tied to increased worker productivity and reduced absenteeism⁴. Finally, the astonishingly low wages of child care workers in the South Hampton Roads area (\$18,300 average annual wages)⁵ and the lack of basic business best practices implemented in child care centers shed light on the significant operational challenges faced by small businesses in the child care industry. Compounding these problems is the common perception that child care centers and preschools belong to the realm of social service providers, non-profit organizations or the public K-12 educational system, when, in fact, they are small businesses like any other. Because the owners of these businesses typically have a wealth of knowledge about early childhood development but little to no business training, they often struggle to turn a profit and, in many cases, to keep their doors open.

Innovative characteristics

1. Early Education Small Business Training and Mentoring Program

The situation described above gave rise to the formation of an innovative partnership between the City of Virginia Beach's GrowSmart and the Hampton Roads Chamber of Commerce's Small Business Development Center (SBDC). Implemented in 2010, with GrowSmart still under the leadership of Virginia Beach Public Libraries, the program features free monthly business training classes for a selected cohort of child care centers, along with intensive one-to-one mentoring provided free-of-charge to each center owner/director by an SBDC business consultant. Program participants are also recruited for participation in the Virginia Star Quality Initiative (VSQI), the statewide Quality Rating and Improvement System (QRIS). The goals of VSQI are: to communicate to parents and stakeholders the level of quality in early learning centers, so families can make informed decisions about child care; and to improve the overall quality of early education in the Commonwealth.

The SBDC program was initially funded entirely by the Early Learning Challenge Grant. Due to the program's notable early success (see "Outcomes" below) and its alignment with the Department of Economic Development's goal to support small, women- and minority-owned businesses, the Virginia Beach City Council approved a \$50,000 increase to the GrowSmart operating budget for FY2012-13, ensuring sustainability of the program beyond the life of the ELC grant (ending in 2014).

2. Organizational Shift

Having been the first city in South Hampton Roads to not only recognize the importance of the early years, but to create a division solely devoted to them, Virginia Beach had already emerged as a strong regional leader. Defining early childhood education as a workforce issue was itself another bold and forward-thinking step; however, the true mark of innovation came when the city matched theory to practical application with the reorganization of Virginia Beach GrowSmart within the Department of Economic Development.

This organizational shift and the SBDC program have had a synergistic effect. Paramount to the city's economic development efforts is the support of small, women and minority-owned businesses. Because the majority of child care centers and preschools in our city are owned by women and minorities, the SBDC program advances this departmental goal. In turn, the positioning of GrowSmart in Economic Development offers increased access to the business community and a platform for publicizing our mission. For example, we have presented the program to local business groups Virginia Beach Vision and Envision Virginia Beach 2040 – which argued for increased investment in early education in its 2012 report⁶ – and to the 2012 Virginia Small Business

Development Center Network Professional Development Conference. The program has also been featured twice in the regional publication *Inside Business* as an innovative approach to tackling tough issues in child care⁷.

Costs

Virginia Beach GrowSmart has an annual operating budget of \$235,507. City Council approved this amount prior to GrowSmart's move to the Department of Economic Development; therefore, the department incurred no additional costs due to realignment. The SBDC program costs \$50,000 annually, funded for the first two years by the ELC grant. Beginning in 2012, Virginia Beach GrowSmart will assume the cost of the program. GrowSmart also sponsors 4-6 child care centers to participate in VSQI annually, at a cost of \$7,370 per center.

Savings

According to an October 2011 report by *Voices for Virginia's Children*, "A joint analysis by the Economic Policy Institute and The Commonwealth Institute found that quality early education benefits Virginia to the tune of two billion dollars over 17 years in special education savings, child welfare savings, decreased grade retention, reductions in juvenile crime, reductions in adult crime, increased earnings by parents, and increased tax contributions."⁸ The Federal Reserve Bank of Minneapolis estimates that for every public dollar spent on high-quality early childhood education programs, the return on investment is \$7-10⁹. Renowned economists, such as Timothy Bartik from the Upjohn Institute and Nobel-prize winning economist John Heckman from the University of Chicago have also taken up the cause, arguing that investment in the early years yields a much higher ROI than investment in K-12 and post-secondary job training programs^{10,11}.

Obstacles

As with any major proposed institutional change, the vision of a few innovators had to be communicated and adopted by senior leadership in the organization. Repositioning GrowSmart in the Department of Economic Development required not only the support of the department director, but also of his supervising deputy city manager and by the city manager, himself. Garnering the support of these individuals meant asking them to modify their fundamental understanding of early education and its economic impact. That these leaders were able to make this theoretical shift underscores the truly visionary leadership within the City of Virginia Beach.

Outcomes

In its first two years, the SBDC program resulted in 24 jobs created, and 1,150 children impacted. In 2011 alone, the six-center cohort experienced an average increase in enrollment of 37%, an average increase in revenues of 29% and a 64% average increase in Program Administration Scale¹² scores. Upon completion of the year-long program, each center has the following minimum business practices in place: business plans; logos; business cards; signage; Web sites, utilizing search-engine optimization techniques and use of Google Analytics to measure traffic; use of social media; and functioning accounting and human resource systems. (Most of the businesses had few to none of these practices in place at the start of the program.) Testimonials from program owner also reveal that at least one center was able to avoid going out of business. Of eight 2011 program graduates, two have undergone facility expansions, and another two have expanded to additional locations.

Applicable Results & Real-World Practicality

The program has become a regional model that recently expanded to Suffolk and will be expanding to Norfolk and Chesapeake in late 2012 – early 2013. Through our presentation, we hope to share practical steps for aligning early education and economic development efforts and for forging a local partnership modeled after the one between Virginia Beach and the Hampton Roads Chamber of Commerce SBDC.

Were Independent Consultants Used?

Lauren Small, of the SBDC works with 6-7 child centers and preschools per year. A contract between GrowSmart and the SBDC outlines the details of Ms. Small's consulting services, as described above.

C. PRESENTATION STYLE

Presentation Tools

- Prezi – this presentation tool allows us to give the “big picture” then drill down to details and return to the “big picture” as needed for context. It also allows for considerably more creativity and visual appeal than the traditional Power Point.
- Testimonials: Embedded into our Prezi will be video testimonials of child care and preschool directors and owners who have graduated from the SBDC business training and mentoring program and have achieved considerable quantitative (e.g., increase in enrollment, revenues) and / or qualitative (e.g., decreased stress) results.

Entertaining *and* Educational

Our presentation will flow not as a lecture in which the presenters attempt to transfer knowledge onto the audience, but as a joint investigation into root causes of workforce readiness and other economic challenges using the “5 Whys” method of root cause analysis. To capture the audience’s attention, we will make use of visual imagery, props and anecdotes to serve as a “grabbers” that will draw the audience in to the content of the presentation.

For example, we will briefly tell the story of the Lincoln Memorial restoration (see below), or a similar anecdote, to illustrate the effectiveness of the “5 Whys” method. By asking the question, “Why?” five times, without a particular hypothesis or solution in mind, an individual or team can illuminate hidden issues and obstacles to solving a problem. Addressing the root cause or causes may make finding solutions to persistent problems easier and more cost-effective than initially apparent.

Group Activity: *The Five Whys*

Following the Lincoln Memorial restoration example, we will distribute to small groups short scenarios related to the economic issues we address in our presentation. Following each scenario will be a one-sentence statement of a significant challenge or problem, of which we will ask groups to identify the root cause (or causes), using the “Five Whys” method. Some examples of such scenarios might include:

- The high school dropout rate in your city has steadily decreased over the past ten years. More students are matriculating to local community and four-year colleges and universities. However, increasing numbers of local employers have been reporting that they are having a difficult time finding employees with the skills need to fill available positions.
The problem: The available workforce is not meeting the demands of local industry. WHY?
- The high school dropout rate in your city has steadily decreased over the past ten years. More students are matriculating to local community and four-year colleges and universities. However, many graduates of four-year programs relocate out of the area to other large cities with “more opportunities.”
The problem: Many graduates of four-year programs relocate out of the area, draining the region of a highly-skilled workforce. WHY?
- Crime in your region has steadily risen over the past five years. Officials from the police department have reported a significant increase in juvenile crime, particularly, in three specific area codes within the city. Data provided by the local school system revealed that the public high schools in these area codes have dropout rates that are higher than both the district and state averages. Over 60% of the elementary schools that feed into these high schools have failed to meet Adequate Yearly Progress for the past two years and are in “corrective action.”
The problem: There is an increase in local crime, particularly crimes committed by juveniles. WHY?

- The CEO of a major company that has its headquarters in your city shares some troubling data with you. The company’s director of human resources has recently shared her annual report, which includes data pertaining to employee absenteeism. This highly-skilled HR director decided to conduct an analysis on the data and found that over 40% of employees who took 5-10 unplanned “sick” days in the previous year reported child care difficulties as a major factor contributing to their absenteeism. **The problem: A high percentage of employees at a major company in your city struggle with child care issues, leading to a level of absenteeism that affects productivity in the company. WHY?**

Live demonstration(s):

Our presentation will feature the unique perspectives of three different individuals who have played key roles in either the organizational shift of the creation of the SBDC program (described in **Part B**):

- Jerry Stewart
Workforce Development Coordinator, Virginia Beach Department of Economic Development
- Lauren Small
Business Consultant, Hampton Roads Chamber of Commerce Small Business Development Center
- Karen Kehoe
GrowSmart Coordinator, Virginia Beach Department of Economic Development
- Marcy Sims
Director, Virginia Beach Public Libraries

The Lincoln Memorial Restoration Story

“It was discovered that the Lincoln Memorial was deteriorating faster than any of the other Washington, DC, memorials – *why?*

Because it was being cleaned more often than the other memorials – *why?*

Here is an example of how the five whys can give a deeper perspective:

It was being cleaned more often because there were significantly more bird droppings on the Lincoln Memorial vs. any of the other memorials – *why?*

There were more birds around the Lincoln Memorial than any other memorial and it was the sparrow population that was significantly higher – *why?*

There was more of the favorite food of the sparrows at the Lincoln Memorial – specifically spiders mites – *why?*

They found that the lighting used at the Lincoln Memorial was different than the other memorials and this lighting was conducive to the breeding of spider mites.

They changed the lighting and solved the problem.”

Endnotes

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 - Articles in the Municipal Records database
 - Contacting the National League of Cities
 - Alliance for Innovation's Knowledge Network
 - Internet searches
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