

REMARKS BY GEORGIA TECH PRESIDENT G. WAYNE CLOUGH  
Georgia Economic Developers Association  
Georgia Tech Hotel, October 20, 2003

Thank you, Wayne (Hodges).

I'm pleased to join with Wayne and Rick Duke in welcoming all of you to Georgia Tech and to our new Technology Square complex. Actually, it is so new that we have not even cut the ribbon on it yet. That will come later this week.

When Georgia Tech was established by state law in 1885, we were given a clear economic development mission, and we continue to focus on that mission today. In fact, we are intensifying it. Structurally, we have created a division of Economic Development and Technology Ventures, which Wayne Hodges heads. Economic Development and Technology Ventures gathers Georgia Tech's well-established economic development resources like the Economic Development Institute and the Advanced Technology Development Center under the same umbrella. And it is home to new initiatives as well, like VentureLab, which guides research discoveries through the technology transfer process from the lab to the commercial market.

Technology Square is a bricks and mortar expression of this effort to give economic development a higher profile, to be more coordinated in our economic development efforts, and to maintain and strengthen our close ties with Georgia's industries and communities. In many ways, it is the new front door to Georgia Tech.

But Technology Square is also the new touch-point of Georgia Tech's connections to the world, which are also important in a global economy. We want to become one of the few universities that are truly global in scope, and we now have four campuses on three continents – Atlanta and Savannah campuses here in Georgia, a European campus in Metz, France, and an Asian campus in Singapore. These are not study-abroad locations, but full-fledged degree-granting education and research platforms.

The Global Learning Center is the hub of our electronic connections not only with these campuses, but with virtually every corner of the world. And after lunch you will have a chance to experience a teleconference with Georgia Tech-Savannah and the Technical University of Munich, which is a partner institution with whom we have developed some innovative joint education programs and are planning a joint degree program.

Technology Square gathers together our business and economic development units from the College of Management to the EDI and the ATDC. And it gives them a wonderful presence on the edge of the campus, where they are surrounded by the Midtown Atlanta business community. The goal is to incorporate our faculty, staff, and students into the economic pulse of the city and the state, and to collaborate in multiple but coordinated ways in promoting the development of a signature high-tech business corridor for Atlanta.

This is a smaller scale expression of what I believe we need to do more broadly across the state. We have a wide range of important and useful economic development resources. At the community level, where the rubber hits the road, those resources include all of you as economic developers, as well as organizations like local development authorities, chambers of commerce, colleges, universities and technical institutes. Our resources also include broader University System networks like EDI network and the ATDC here at Georgia Tech, the SBA network at the University of Georgia, and ICAPP – the Intellectual Capital Partnership Program – that is run from the System’s central office. And they include the state departments of Community Affairs, and Industry, Trade and Tourism.

Our goal should be to bring all of these resources into strategic alignment so that each one can realize its own maximum potential, and so that their efforts complement each other and mesh together to maximize the opportunities for economic development throughout the state.

Back in the days when I was growing up in Douglas, Georgia, our economic development efforts were focused on luring traditional manufacturing plants to our state. We built rail sidings, and painted “We want industry” on the water tower, and bragged about the low cost of our non-unionized workforce. But over the past decade or two this idea of competing on the basis of low costs has collided with the realities of a global economy. No matter how hard we work to cut costs, there is always somebody else somewhere else in the world who undercuts us.

That struggle to compete has been brought into sharper focus by the economic downturn we have been experiencing, and all eyes have been focused expectantly on Washington. Will Alan Greenspan lower interest rates any further at the Fed? Will George W. Bush propose yet another tax cut? Will Congress extend unemployment benefits for Americans who cannot find jobs? When they are used appropriately, measures like these can provide a jolt to a languishing economy, but they are not long-term solutions.

Nor will the real solution be found in the old economic model of competing by holding down costs. Of course, efficiency continues to be very important, but it is no longer enough. There is simply no way we can compete with nations whose wages are one-tenth of ours. It is time to shift the paradigm, and you as economic developers, are critical players in making that shift. Much as we would like Congress or the President or Alan Greenspan to be able wave a magic wand and heal the economy from Washington, the real locus for economic recovery and renewed development is in the local and regional economies where you work.

And the key to your efforts to invigorate your local and regional economies is innovation. If we are to survive and thrive in the economy of the 21<sup>st</sup> century, an innovative, entrepreneurial mindset has to be pervasive throughout our entire economy, from the newest start-up company to the oldest, most well-established firm.

Innovation means new ideas and new approaches. In his book *Innovation and Entrepreneurship*, business guru Peter Drucker said that innovation “endows resources with a new capacity to create wealth.” Instead of trying to cut the same old economic pie into more pieces, innovation makes the pie bigger.

When you are innovative, you look at the needs and problems around you from a new and different perspective, and then you come up with new ideas and solutions to meet them. Innovation means changing your products and services to offer increased value to your customers, so that they, in turn, will be willing to pay more because they are getting more. Or it can mean looking for new products that make sense. For example, when a manufacturer of metal storage sheds down in Swainsboro found himself going farther and farther afield to find suppliers of roll-form aluminum, he looked around his own community to see if other manufacturers were having the same problem. They were, so he started a new company to manufacture the aluminum that they all needed. His innovative approach to this problem brought new wealth to his community.

Innovation also means looking at your internal operations from a new and different perspective, so that instead of asking how you can manage to cut the same old costs one more time when you have already pared them to the bone, you ask, how can we change the way we do things to become more effective? Rick Duke and EDI can help the companies in your community do that, by the way. For example, they helped a chemical company in Augusta to take a whole new approach to their inventory process. Tasks that once took four hours are now completed in 30 minutes using the new system, and accuracy has improved by 100 percent.

Every year EDI does a survey of Georgia's manufacturers, and last year they focused on this whole question of innovation versus cost cutting. What they discovered was that companies who compete based on making innovations to their products and processes do better than companies who try to compete based simply on cost cutting. Specifically, the returns on sales for companies with an innovative mindset were a full percentage point higher, and their employees earned an average of \$10,000 more a year.

In an economic downturn like we have been experiencing over the past few years, it is so tempting to hunker down and stick with what you've got rather than trying to do something new. But the companies that innovate their way through the tough spots are the ones who will be positioned to lead the way once the economy turns around again.

Of course, coming up with new ideas and new technology is a major focus of Georgia Tech and Georgia's other research universities. And working together in strategic alignment with each other and with Georgia's other economic development resources, we are a major driver of the innovation process. Universities have traditionally educated the state's workforce, and that task is more important than ever. But increasingly the states that are achieving economic growth are the ones that call on their universities to help with other tasks as well.

As knowledge and technology have come to play a more central role in our economic health, universities are playing a more pivotal role in the economic development process through spinning off new companies based on their research, and through using both their know-how and the discoveries from their research labs to help existing companies become more innovative and competitive.

New companies are emerging every year from the labs of Georgia's research universities. For example, among the companies in incubation at Georgia Tech's ATDC is FastTalk, which has created the world's first high-speed search engine for voice and audio data. It can pinpoint a single word from hours of audio tape in a split second. Over in Athens, ProLinia, started in conjunction with the University of Georgia, is developing animal cloning technology. Georgia State University has a technology development center called Collab Tech that is supporting the development of new companies like Zygoten, which uses zebra fish as a model organism to enhance drug discovery. AtheroGenics, which was started by two professors at Emory Medical School with \$1 million in seed capital, attracted another \$50 million in venture capital investment, then another \$50 million from its IPO.

These just four are among the 80 new high-tech companies that have received support from the Georgia Research Alliance. Georgia wisely created the GRA back in 1990 – a

partnership of state government, our six major research universities, and private-sector companies designed to serve as a catalyst to stimulate cutting-edge collaborative research that would generate high-tech economic development. GRA was an innovative idea, and it has become a strategic alignment of university-based resources for economic development. It now has the longest track record of any public-private state partnership of its kind in the nation.

Since GRA was created in 1990, the number of technologies and discoveries making their way from our university research labs into the commercial marketplace has more than tripled, and research relationships between the GRA's member universities and Georgia's industries have increased by 800 percent. Our patents and invention disclosures are up significantly at Georgia Tech, and they are on the rise at other GRA universities as well.

GRA has supported the creation of 2,700 new jobs, and the companies who have benefited are not all in Atlanta, Athens, or Augusta where the member universities are located. GRA has helped companies all across Georgia, from Dalton in the north to Quitman in the south, from Savannah in the east to LaGrange in the west... from cities like Albany and Gainesville, to tiny towns like Georgetown on the Alabama State line west of Cuthbert, and Ball Ground, which is just north of Cumming.

These are just some of the many examples of how the strategic alignment of our economic development resources, including those available at our universities, can strengthen our economy.

Economic development has always been important to us here at Georgia Tech. In fact, we were among the founders of what is now GEDA, and one of every four GEDA presidents throughout your history were Georgia Tech faculty – the most recent being Rick Duke who just became your president. We are proud to be working closely with GEDA, and pleased to be a resource for each of you in your work through EDI and our other economic development programs. We want to continue to work closely with you to make Georgia's economy more entrepreneurial and innovative in all of its aspects and in all of your local communities.