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by Rosabeth Moss Kanter

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Opponents of globalization often point to its negative effects on local communities. But are the effects always negative? Rosabeth Moss Kanter wondered whether global forces could be marshaled to support and develop communities rather than tear them down. In a research initiative focusing on five American communities—Boston, Cleveland, Miami, Seattle, and the Spartanburg-Greenville region of South Carolina—she found three paths to success. The greatest assets to any business, she argues, are concepts, competence, and connections. Any given region, therefore, can thrive as a world-class center of thinkers, makers, or traders. To illustrate these points, she gives us an in-depth look at the success of the Spartanburg-Greenville region, which has become a center for world-class manufacturing. At the time this article was published, the region had already attracted direct foreign investment from more than 215 companies in 18 countries. Behind that success were four critical factors: visionary leadership, a friendly business climate, a commitment to training, and a spirit of collaboration among businesses and between business and local government. The story illustrates what it takes for a local economy to become world-class.

In the future, success will come to those companies, large and small, that can meet global standards and tap into global networks. And it will come to those cities, states, and regions that do the best job of linking the businesses that operate within them to the global economy.

Sweeping changes in the competitive landscape, including the presence of foreign competitors in domestic markets, are driving businesses to rethink their strategies and structures to reach beyond traditional boundaries. Increasing numbers of small and midsize companies are joining corporate giants in striving to exploit international growth markets or in trying to become world-class even if only to retain local customers.

At the same time, communities are under considerable pressure to understand what they need to do to enhance—and in some cases even preserve—their local vitality. Local residents and civic leaders are expressing concern about their communities' economic future, particularly in light of the impact of global forces on where businesses locate and how they operate. Some see a basic conflict between social and community interests that are largely domestic or even local, and business competitiveness issues that often are international in scope. If the class division of the industrial economy was between capital and labor, or between managers and workers, the class division of the emerging information economy could well be between cosmopolitans with global connections and locals who are stuck in one place.

To avoid a clash between global economic interests and local political interests, businesses must know how to be responsive to the needs of the communities in which they operate even as they globalize. And communities must determine how best to connect cosmopolitans and locals and how to create a civic culture that will attract and retain footloose companies. The greatest danger to the viability of communities is not globalization but a retreat into isolationism and protectionism. In the global economy, those people and organizations that are isolated and cut off are at a disadvantage. They are targets for nativists who feed on discontent by blaming outsiders, scapegoating foreigners, and urging that barriers be erected to stem the global tide. But if communities retreat into isolationism, they are unlikely to solve the very problems that led to their discontent in the first place. Ironically, the best way for communities to preserve their local control is to become more competitive globally.

This lesson began to come into sharp focus for me in 1990, when I started to explore emerging business alliances and partnerships around the world. My Harvard Business School research group and I examined more than 37 companies operating in more than 15 countries. I saw that those companies often were surpassing their peers by linking forces in international networks. But I also saw how controversial their actions were in their own countries and cities, and how irrevocably they were altering life back home. What I saw made me wonder how the rise of a global economy changes the meaning of community, which is largely rooted in place. And I started thinking about how global forces could be marshaled to support and develop communities rather than cause their demise.

Beginning in 1993, I undertook a civic-action research project in five regions of the United States that connect with the global economy in different ways: the areas of Boston, Cleveland, Miami, Seattle, and Spartanburg and Greenville in South Carolina. By looking at those cities and regions through the lens of business, I was able to view local economies not as abstractions or aggregate statistics but as living and working centers for organizations struggling every day to make and sell goods and services. I could listen to what real people had to say about how they were faring. I was able to sound out business and civic leaders about their strategies for improving their constituents' economy and quality of life in light of the global changes. And I identified some ways in which the global economy can work locally by capitalizing on the availability of those resources that distinguish one place from another.

The New Criteria for Success

In the industrial economy, place mattered to companies because it gave them control over the means of production—capital, labor, and materials—and access to transportation centers that minimized the cost of moving products from one location to another. In the global information economy, however, power comes not from location per se but rather from the ability to command one of the intangible assets that make customers loyal. These assets are concepts, competence, and connections. Today a place has value if it can provide companies with at least one of these resources.

Concepts are leading-edge ideas, designs, or formulations for products or services that create value for customers. *Competence* is the ability to translate ideas into applications for customers, to execute to the highest standards. *Connections* are alliances among businesses to leverage core capabilities, create more value for customers, or simply open doors and widen horizons. Unlike tangible assets, these intangible resources are portable and fluid, and they decline rapidly in value if not constantly updated. World-class companies keep their supplies of these assets current by being more entrepreneurial, more learning oriented, and more collaborative. They continually seek better concepts and invest in innovation. They search for ideas and experience and nurture

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their people's knowledge and skills. And they seek partnerships with others to extend their competencies and achieve common objectives.

Companies have several ways of deriving concepts, competence, and connections from the communities in which they are located. Regions can be superior development sites for concepts because innovators can flourish there, come into contact with new ways of thinking, and find support for turning their ideas into viable businesses. Regions also can distinguish themselves by enhancing production competence through maintaining consistently high quality standards and a highly trained workforce. And they can provide connections to global networks in which businesses find resources and partners to link them with other markets. Cities can thrive as international centers if the businesses and the people who work for them can learn more and develop better by being there rather than somewhere else. Places can—and do—establish linkages to world-class companies by investing and specializing in capabilities that connect their local populations to the global economy in one of three ways: as thinkers, makers, or traders.

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Thinkers specialize in concepts. Such places are magnets for brainpower, which is channeled into knowledge industries. Their competitive edge comes from continual innovation, and they set world standards in the export of both knowledge and knowledge-based products. Thinkers count on their absolute dominance in technological creativity and intellectual superiority to ensure their position on the world stage. The Boston area, for example, specializes in concepts—in creating new ideas and technologies that command a premium in world markets.

Makers are especially competent in execution. They have superior production skills and an infrastructure that supports high-value, cost-effective production. As a result, maker places are magnets for world-class manufacturing. Spartanburg and Greenville are good examples of world-class makers: They have an exceptional blue-collar workforce that has attracted more than 200 companies from many countries.

Traders specialize in connections. They sit at the crossroads of cultures, managing the intersections. They help make deals or transport goods and services across borders of all types. Miami, with its Latin American and increasingly global connections, is a quintessential trader city. Organizations such as AT&T selected Miami for their Latin American headquarters because of the city's Pan-American characteristics. Miami bridges Latino and Anglo cultures in the same way that Hong Kong and Singapore traditionally have linked British and Chinese cultures.

Boston, Miami, and Spartanburg and Greenville are distinctive as models of emerging international cities because of their emphasis on one core capability. Each must develop a broader range of capabilities for its success to continue, but their stories offer lessons for businesses and cities everywhere about how to harness global forces for local advantage. For example, through a combination of local and foreign leadership and influence, the Spartanburg-Greenville area systematically upgraded its ability to meet the needs of world-class manufacturers. The history of the region's economic development is a lesson for business and community leaders seeking to understand what is required to achieve world-class status and bring local residents into the world economy.

An Unlikely Success Story

Spartanburg and Greenville, in the hill country of South Carolina, make an unlikely center for international industry. Yet these neighboring cities are the site of the highest diversified foreign investment per capita in the United States. Their success rests on the second intangible asset: competence. By achieving superiority in their ability to produce goods, these cities have derived benefits from the global economy as makers.

As in other U.S. cities, the center of activity has shifted from downtown to the shopping malls and industrial belts on the periphery. But what is found on the outskirts of Spartanburg and Greenville, and throughout the seven-county area called the Upstate, is unusual: a concentration of foreign manufacturing companies on I-85, the interstate highway that stretches from Atlanta, Georgia, to Charlotte, North Carolina. The local section of this highway is known as "the autobahn" because of the many German companies located there.

For decades, business leaders have worked with civic leaders to shape an economic development strategy that is almost a foreign policy. For the Spartanburg-Greenville region, foreign

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investment has been a positive force, bringing benefits to local businesses, workers, and the community beyond the infusion of capital and job creation. The presence of foreign companies has unleashed and renewed entrepreneurship and innovation, stimulated learning, heightened awareness of world standards, and connected local companies to global networks.

The cities of Spartanburg (population 46,000) and Greenville (population 58,000) and the seven surrounding counties contain almost a million people and share an airport. The region has a diversified economic base that includes textiles, high technology, metalworking, and automobiles. Unemployment stays well below the national average, and the I-85 business belt boasts the largest number of engineers per capita in the United States and the country's lowest work-stoppage rate. South Carolina's nationally recognized worker training program has upgraded the workforce and raised the average wage rate across the region.

The Upstate is now home to more than 215 companies from 18 countries, 74 of which have their U.S. headquarters there. The largest manufacturing employer is Michelin North America, which is a subsidiary of France's Michelin Groupe. It has three facilities in the region, a total investment of $1.5 billion, more than 9,000 employees in the state, and comparatively high factory wage rates of $15 to $16 per hour. R&D for Michelin North America is also located in Greenville, and a test track and distribution center are situated nearby. In 1985, the company moved its headquarters to Greenville.

The area entered the international limelight in 1992, at the time BMW announced it would locate its first-ever manufacturing facility outside Germany in Spartanburg County. Newspapers and magazines took note of the "boom belt" in the Southeast along I-85. The BMW facility promised to provide 2,000 jobs directly and create perhaps 10,000 more at a time when the U.S. auto industry was only beginning to emerge from recession and U.S. cities were desperate for sources of new employment. Ecstatic locals donned T-shirts proclaiming the arrival of "Bubba Motor Works."

BMW's announcement made international headlines and created a local stir because BMW is a well-known upscale consumer product and a household name. But behind this highly visible investment stood several decades of investment by companies that were not household names but that had contributed to the worldwide reputation for competence in industrial skills that would attract BMW to the area.

The history of economic development in the Upstate represents one model for success in the global economy: a solid base of midsize entrepreneurial companies that innovate continually in basic manufacturing and employ a workforce whose skills are regularly upgraded against world standards. Four factors are critical for success:

• visionary leaders who have a clear economic development strategy and who work actively to recruit international companies;

• a hospitable business climate and a positive work ethic that attract innovative manufacturing companies seeking to make long-term investments;

• customized training and gradual upgrading of workers' skills; and

• collaboration within the business community and between business and government to improve quality and business performance.

Leadership with a Global Strategy

The first major businesses in a region often provide the leadership and platform for the community's development and growth. Their industrial base and character shape the prospects for those who come later and provide connections between the community and the wider economy.

In the Upstate, foreign investment began in Spartanburg, and the foundation was large textile companies. When Roger Milliken, CEO of Milliken & Company, moved the company's headquarters and his family from New York to Spartanburg in 1954, he set in motion a number of forces that eventually brought economic strength to the region as a global center. Milliken saw the need to compete with inexpensive imports by modernizing equipment and raising skill levels to improve quality and bring labor costs under control. In the late 1950s, he started urging German and Swiss manufacturers that supplied the textile industry to set up shop in Spartanburg close to their customers. For many local residents, the arrival of Milliken and other northern executives was the first "foreign" influence in the area. It highlighted the need for improvements in education and brought cosmopolitan attitudes even before the foreign companies arrived.

Richard E. Tukey, executive director of the Spartanburg Area Chamber of Commerce from 1951 until his death in 1979, was the driving force behind efforts to attract foreign investment to the Upstate. Tukey was a visionary who realized that opportunities had to be cultivated for a declining textile industry that was the area's principal economic base. People in Spartanburg were open to foreign investment because the alternatives were poor jobs in textile or poultry plants or no jobs at all. Tukey went overseas to textile machinery shows to find investors and developed a wide network of business contacts in Europe. In 1965, he helped establish the U.S. base for Menzel of Germany in just four days, including locating housing for the plant manager and finding someone to write articles of incorporation for the company. When Kurt Zimmerli, CEO of Zima, first explored moving to the area, Tukey escorted him to banks and introduced him to community leaders. Tukey was sometimes criticized for paying more attention to outside investors than to local companies, but his persistence paid off in job growth that ultimately benefited local suppliers from construction crews to retailers.

Tukey was highly regarded by many civic leaders, and his allies included South Carolina's governors and lieutenant governors. He urged them to make the Upstate more attractive to Europeans by, for example, amending alcohol laws to make it easier to import wine. Tukey helped establish a variety of institutions that gave Spartanburg an international look, and he improved its cultural and educational offerings by initiating community events such as a German-style Oktoberfest and by working with local officials to create a state educational TV capability that was top-notch.

Reinforcing the Cycle of Development

The Upstate's business climate was hospitable to long-term outside investment, and the local work ethic was attractive to innovative companies. Spartanburg was the first of the two cities to catch the foreign wave, which started in the 1960s with a set of midsize companies that established their own greenfield sites rather than acquiring U.S. companies. Those companies stayed and expanded, often because their entrepreneurs were committed to growth in Spartanburg; some expatriates eventually became U.S. citizens and community leaders.

Several aspects of foreign investment in the area are noteworthy:

Industry Diversification Based on Core Skills. The textile industry provided a customer base, but the technical capabilities of the companies that moved into the area were not confined to one industry; they could be extended to many others.

Expansion and Upgrading. The foreign companies gradually expanded the region's functions, markets, and skills. Functions tended to expand from sales and service to manufacturing. Markets tended to expand from regional to North American to overseas. A regional office often became the North American headquarters. Initially, the companies transferred technology, standards, and skills from the foreign parent; eventually, many of the U.S. units outperformed the parents and educated them. According to a 1993 Greenville Chamber of Commerce survey of 87 foreign-owned companies, 80% had expanded since their arrival in the Upstate, and about 55% were planning a capital investment project in the next three years.

Entrepreneurship and Innovation. The first foreign companies were generally midsize. They had sent over individuals who could build new ventures from scratch and had granted them considerable autonomy to do so. U.S. operations were thus highly independent rather than subordinate branches of multinational giants; and foreign managers in the United States were entrepreneurs committed to growing the local business, not expatriates on short career rotations. Survival depended on a high degree of technological innovation.

Assimilation into the Local Culture. Companies generally sent over only a few foreigners, some of whom became U.S. citizens; the large number of U.S. hires gave the companies an American flavor. The first foreign company representatives were well-educated, English-speaking, cosmopolitan Europeans who could blend easily into the local population. Switzerland, Austria, and Germany—countries not intent on maintaining language purity or separatist traditions—were most often represented. Moreover, the original companies were not household names, not very visible, and not of particular interest to average citizens. But the new companies had a cultural style that complemented the local culture; they tended to sink roots and assimilate. According to local leaders, it took a long time for most people to realize just how many foreign companies there were in Spartanburg.

Among the first foreign companies to locate in the region was Rieter Machine Works of Winterthur, Switzerland. Rieter, whose first U.S. chief was a friend of Roger Milliken's, located its sales and service office in Spartanburg in 1959 because the U.S. textile industry was at the time 30% to 35% of its market. (It is now 20%.) Rieter gradually expanded into manufacturing, increasing its investment in South Carolina. Although the company found numerous differences between operating in Switzerland and in the United States—from measurement to quality standards—it found that it could blend American entrepreneurial flair with Swiss technical precision to achieve outstanding results. Ueli Schmid, the current CEO of Rieter in the United States, joined Rieter in Switzerland in 1970, moved to the States in 1980, and became a U.S. citizen.

As the Upstate proved hospitable to foreign investors, expansion from sales and service offices to manufacturing began. Menzel, from Bielefeld, Germany, established its sales office in Spartanburg in 1965 but soon realized it was more practical to build machinery there. It was the first European company to do so, and its presence paved the way for others. Menzel created an innovative material-handling system for large-roll batching used in plastics, fiberglass, rubber, and other applications besides textiles. Now three times its original size, it produces machinery in the United States that it does not build in Germany and derives less than 40% of its revenue from the textile industry.

Cosmopolitan entrepreneurs such as Hans Balmer came with the initial German and Swiss wave. In 1972 at the age of 25, Balmer was sent on a two-year assignment from Switzerland as Loepfe Brothers' U.S. representative. Instead of staying just two years, he married an American and, in 1985, founded his own business, Symtech. Now, with nearly $50 million in sales, Symtech uses the best models of supply-chain partnering to integrate manufacturing equipment from multiple suppliers for its customers. Balmer also has brought other foreign companies to Spartanburg, and he succeeded Kurt Zimmerli as international committee chair for the Spartanburg Area Chamber of Commerce.

An exception to the predominance of small and midsize companies in the initial foreign surge was the German chemical giant Hoechst. Hoechst traces its local origins to its 1967 joint venture with Hercules, a U.S. chemical company. (In 1987, Hoechst merged with Celanese to form Hoechst Celanese.) The company has both raw materials and fiber plants in the area; in the chemical plant alone, equity investment totals close to half a billion dollars. A truly global organization, Hoechst is a cosmopolitan force in Spartanburg. It gives its U.S. business relative autonomy but creates cross-cultural links through employee exchanges and technology transfers between Spartanburg and other worldwide facilities.

Besides bringing jobs to Spartanburg, Hoechst brought another important local leader: Paul Foerster. In 1967, Foerster moved to Spartanburg from Germany on a four-year contract to run the fibers facility. The contract was extended until his retirement in 1990. A cultural cross-fertilizer, Foerster turned Hoechst Celanese into an important charitable contributor to the region despite the absence of a charitable tradition in Germany. Today Foerster is honorary consul for Germany, liaison to Europe for South Carolina, past chairman of the Spartanburg Area Chamber of Commerce, and the one responsible for much of the international traffic through Spartanburg.

In the 1980s, attracting foreign investment became an explicit strategy for Greenville as well as for Spartanburg. Greenville has had a successful Headquarters Recruitment Program since 1985, and in 1993, 14 foreign companies announced that they would open new regional headquarters or expand existing offices in the city. By 1994, German companies still dominated in the Upstate with 65 of the region's 215 foreign companies; British companies were second with 43, and Japanese third with 29. Although there were only 16 French companies, employment in them was almost as great as in the German companies because of Michelin's large size. Foreign-owned service companies located in the region as well. Supermarket conglomerate Ahold of the Netherlands, a member of the European Retail Alliance, employs 4,000 people in the Upstate through its Bi-Lo chain, headquartered in Greenville.

It was impossible to sustain sleepy local companies in an environment in which world-class companies came looking for better technology and skills.

Improving Training and Education

Good attitudes are not enough; workers' skills must meet international standards. For more than 30 years, the state has led a collaborative effort to provide outstanding technical training—a crucial factor in expanding high-wage manufacturing jobs in the Spartanburg-Greenville area.

Contrary to popular belief, low wages or tax incentives were not the primary reason the first foreign companies were attracted to South Carolina's Upstate region. Indeed, recent studies by James Hines of Harvard University's John F. Kennedy School of Government have shown that state and other local tax incentives play little or no role in where foreign companies locate their businesses in the United States. Foreign investors sometimes do decide to locate in a particular place in the United States if they will get tax credits at home for state tax payments, but generally, business factors play a larger role. South Carolina's principal attraction is the competence of its workforce.

The South Carolina State Board for Technical and Comprehensive Education offers free, customized technical training of prospective workers and supervisors to companies that bring new investment to the state. The board assigns staff to prepare manuals, interview workers, and teach classes based on technical requirements established by the company. The company is not obligated to hire any worker who completes the training, nor do workers have to accept any job offer. In some cases, the state will pay to send first-time line supervisors for training elsewhere, even in a foreign country. Training benefits apply to major facility expansions as well as to new sites. A related initiative is the Buy South Carolina program, which supports just-in-time inventory systems by finding local suppliers.

A network of 16 technical colleges runs the State Tech Special Schools, including Greenville Technical College, rated by *U.S. News & World Report* as one of the best technical schools in the country. Devised as a crash program to deal with economic desperation in 1961, the State Tech Special Schools are now a national model. Since the network's inception, it has trained more than 145,000 workers for about 1,200 facilities, including more than 30,000 for the textile industry, 34,000 for metalworking, and nearly 18,000 for electrical and electronic machinery trades. In fiscal year 1992–1993, more than 6,400 people were trained for 121 companies, including U.S. companies such as Tupperware and Perdue, at a cost to the state of about $6.4 million. Companies also can draw on training from the Quality Institute of Enterprise Development, a private nonprofit venture spun off from the state's economic development board, which partners with the Upstate's technical colleges, the University of South Carolina at Spartanburg, and local chambers of commerce.

For German and Japanese companies with high technical and quality standards, such training is a major incentive. Mita South Carolina, a Japanese toner producer, used the State Tech Special Schools to build its U.S. workforce after arriving in Greenville in 1991 to manufacture for the North American market. Of its 150 current employees, only the top dozen managers are Japanese (the heads of engineering and human resources are Americans), and Japanese technicians were present only to install machinery and troubleshoot when the company started up. Some foreign managers want the workforce to meet even higher standards, and German-style apprenticeships are on the agenda.

The quality of public education also has improved because of new business investment. Foreign companies contributed by providing a sound tax base and a strong vision of what education should be by setting high standards for workers' knowledge. But, according to educators, the presence of foreign companies was an excuse for change, not a cause of it. Local interest and investment in educational reform have been consistent since the 1950s, and in the 1980s the public and private sectors collaborated on an increase in the sales tax to provide for a 30% increase in school budgets. The state saw a rise of 128 points in average SAT scores, and Richard Riley, South Carolina's governor during this decade, went on to join the Clinton cabinet as the secretary of education. Although there were widespread improvements in the entire public education system, particular innovations came in the areas of language training, world geography, and world cultures. Spartanburg's District 7 high school was one of the first in the United States to offer advanced placement courses, and it continues to receive White House Achievement Awards—the only high school in the country said to have won three times. Greenville's Southside High School is the only high school in South Carolina, and one of a handful in the United States, that awards the International Baccalaureate Diploma. This program is modeled on the curricula of European schools and enables interested students to prepare to attend European universities.

International awareness and world-class capabilities are a priority also in the Upstate's colleges and universities. Skills in mathematics, science, computers, and technology are especially important because of the region's industrial base. However, educators also are upgrading language training, exchange programs, and internships abroad. For the latter, in particular, foreign companies are a key resource connecting local residents to many parts of the world.

Raising Standards Through Collaboration

Companies new to the Upstate discover strong cross-business and cross-sector collaboration that not only enhances business performance for both domestic and foreign companies but also strengthens the area's economy. Company executives comment repeatedly about strong networking, exchange of learning among businesses, as well as cooperation between businesses and government.

Local residents have become more cosmopolitan, with extended horizons and higher standards.

Strong, active chambers of commerce are catalysts for much of the cooperation, making the connections and mounting the programs that serve as the infrastructure for collaboration. The Spartanburg Area Chamber of Commerce has 1,800 members from 13 municipalities forming seven area councils. In 1989, it joined with the Spartanburg County Foundation—a charitable organization that supports community activities—and other groups to launch the Consensus Project, a community priority-setting activity based on a set of critical indicators of Spartanburg's community "health." The project began with about 75 leaders and eventually got feedback from many citizens. It has led to adult education, programs to prevent teenage pregnancy, and Leadership Spartanburg, a program that trains community leaders.

The Spartanburg Chamber offers programs that have directly improved business performance. It has a "vice president for quality"—an unusual office signifying the Chamber's activist role in industry and one that encourages innovative companies to learn from one another. In 1981, Milliken instituted a pioneering internal quality program, leading to a string of awards: the American Malcolm Baldrige National Quality Award, the British Quality Award, Canada Awards for Business Excellence, and the European Quality Award. Milliken was the first, and in some cases the only, fabric supplier to receive quality awards from General Motors, Ford, and Chrysler. With inspiration from Milliken, the Chamber's committee on quality launched the Quality in the Workplace program in 1984, very early in the U.S. total quality movement. In addition to educating numerous local companies, including those without their own quality or training staffs, the program extended the principles of quality to many nonprofits such as the United Way.

The Greenville Chamber of Commerce—the state's largest, with 3,000 members—also facilitates collaboration. Companies exchange best-practice ideas, screen employees for jobs, encourage new companies to come to the area, solve one another's problems, and sometimes even lend one another staff. A monthly Chamber-sponsored manufacturers' discussion group helps with employee relations problems—something particularly beneficial to foreign companies employing a U.S. workforce—and serves as a job-finding network by circulating résumés and lists of names. When Sara Lee opened a plant in Greenville, Fuji's plant manager helped the company implement worker teams. At a Chamber "prospect" dinner, the representative of a smaller company being enticed to the area mentioned that the company could not afford a human resources function right away. Other manufacturers present, including Mita, volunteered to build a team of their own people to serve in the interim, to screen résumés and do the hiring.

Collaboration increasingly extends beyond political jurisdictions. A joint airport helped break the barrier between the two cities, and the wooing of BMW involved still more cooperation. Encouraged by a call from the governor's office, Spartanburg's and Greenville's hospital systems wrote a joint proposal about medical services in the area for BMW. The two cities compete for business investment, and there are continuing turf battles, especially among local politicians. But there also is a great deal of cooperative and overlapping activity; Greenville relishes Spartanburg's successes and vice versa. Behind these attitudes is more than the simple

The locals' view is generally positive because foreign and outside investment has helped retain—and expand—homegrown companies in the area.

desire to be friendly. Leaders of the region increasingly acknowledge their shared fate as the pressures of growth and the stress on the existing infrastructure increase the demands on local resources. Many Spartanburg businesspeople call for greater cooperation between Spartanburg and Greenville, and between business and government, and even for the merger of the cities and counties into one metropolitan area. The Upstate's record of success in addressing the challenges of becoming a world-class maker will continue to be tested as the opportunities that have resulted from achieving global competence give rise to the challenges of sustaining growth.

Localizing the Global Economy

Ask people in Spartanburg and Greenville about the influence of foreign companies on their area, and they immediately turn to culture and cuisine: the annual International Festival; the Japanese tea garden, said to be the only authentic one in the United States outside the Japanese embassy in Washington; a surprising number of international organizations per capita; and many sister-city relationships. But the real impact has to do more with opening minds than with changing eating habits. Local residents have become more cosmopolitan, with extended horizons and higher standards.

The presence of foreign companies raised the adrenaline level of the business community, providing a new perspective that increased dissatisfaction with traditional practices and motivated people to improve. It was impossible to sustain sleepy local companies in an environment in which world-class companies came looking for better technology and skills. Business leaders and the workforce are now more aware of global standards. Suppliers to foreign companies credit them with raising standards to world-class levels.

The main concern that residents have about foreign companies—a concern reluctantly but consistently voiced—is whether they will donate money or provide leadership to the community. Tensions often are framed in terms of community service, but the real problems come from local residents' suspicion that foreign companies that move capital into a community can all too easily move it out again and that locals will have no power to stop them. It takes time to educate foreign companies, many of them from countries whose social network is supported by government alone, about the United States' self-help, volunteer, and charitable traditions. But there are notable exceptions and increasing community support from foreign companies. Kurt Zimmerli, Paul Foerster, and Hans Balmer are frequently mentioned as examples of immigrants who became community leaders. Ueli Schmid secured a pool of money from Rieter to spend on discretionary local contributions. BMW makes its new facility available for community events. The self-reinforcing cycle of welcome succeeds as the Upstate's hospitable business climate creates an environment in which cosmopolitan leaders are willing to make deep commitments to the community.

Moreover, the locals' view is generally positive because foreign and outside investment has helped retain—and expand—homegrown companies in the area. For example, one of Spartanburg's oldest companies, Hersey Measurement, was saved by a joint venture between a U.S. company and a German company. Hersey was founded in 1859 to manufacture rotary pumps, bolts, and general machinery, and its new owners from Atlanta decided to keep the company in Spartanburg because of the excellent workforce. They expanded operations and built a new plant that doubled the size of its local facilities. Lockwood Greene Engineers, one of the oldest engineering-services companies in the United States, was reinvigorated by a German company after the failure of a management buyout. Metromont Materials, a leader in concrete, was acquired by a British company after large U.S. companies abandoned the industry. And locals report that even for residents not working at foreign-owned facilities, jobs are better paid and of better quality as a result of foreign investment in the region as a whole.

Becoming World-Class

The story of the Spartanburg-Greenville region illustrates what it takes to acquire the mind-set of the new world class. Cities and regions must become centers of globally relevant skills to enable local businesses and people to thrive. World-class businesses need concepts, competence, and connections, and world-class places can help grow these global assets by offering capabilities in innovation, production, or trade. Cities and regions will thrive to the extent that the businesses and people in them can develop better by being there rather than somewhere else.

To create this capability, communities need both magnets and glue. They must have magnets that attract a flow of external resources—new people or companies—to expand skills, broaden horizons, and hold up a comparative mirror against world standards. The flow might involve customers, outside investors, foreign companies, students, or business travelers. Communities also need social glue—a way to bring people together to define the common good, create joint plans, and identify strategies that benefit a wide range of people and organizations. In addition to the physical infrastructure that supports daily life and work—roads, subways, sewers, electricity, and communications systems—communities need an infrastructure for collaboration to solve problems and create the future. Community leaders must mount united efforts that enhance their connections to the global economy in order to attract and retain job-creating businesses whose ties reach many places.

And business leaders must understand how strong local communities can help them become more globally competitive. Businesses benefit from investing in a region's core skills. They derive advantages not only from creating company-specific resources but from establishing linkages outside the company as well. Local collaborations with international giants operating in their area can help smaller companies raise their standards and propel them into wider, more global markets. Leaders of large companies can strengthen their own competitiveness by developing a supportive environment in the primary places where they operate to ensure the availability of the highest-quality suppliers, workforce, living standards for their employees, and opportunities for partnership with local leaders.

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