Strategies for Building New Economic Opportunities

Module Four: Exploring Strategies for Enhancing the Regional Economy

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Module Four: Exploring Strategies for Enhancing the Regional Economy

Module Four will examine specific strategies that might be used to advance the economy of your region, with a specific focus on strengthening the regional clusters the team has identified.

Using the Participants’ Guide
The Participants’ Guide contains handouts designed to assist participants in planning their economic development effort.

Group Exercises
The group exercises in this session will help the participants understand the materials, provide a break from listening to presenter and allow the participants to get to know each other.

Slide 4: The Leaky Bucket
Slide 8: Looking at Regional Leakages (Industry Data Reports)
Slide 9: Examining Your Region’s Cluster
Slide 13: Creation: Providing Regional Support
Slide 14: Creation: Our Region
Slide 19: Attraction: Our Region
Slide 25: Retention & Expansion: Our Region
Slide 26: Connecting Competitive Advantage to C.A.R.E.
Slide 28: Final Reflections

References:

Web links
BEA-REIS Data
http://www.bea.gov/regional

Bureau of Economic Analysis
http://www.bea.gov/regional

Business Retention & Expansion International
http://www.brei.org

California Department of Food and Agriculture
http://www.cdfa.ca.gov
Cashing in on Business Opportunities
http://srdc.msstate.edu/cashing/

Center for Rural Entrepreneurship
http://www.energizingentrepreneurs.org

Dun and Bradstreet
http://www.dnb.com/

Economic Modeling Specialists, Inc. (EMSI)
http://www.economicmodeling.com

ESRI Business Information Solutions

EXCEL Management Systems, Inc.
County Business Pattern Data & IMPLAN Data
http://www.emsi.com

FASTTRAC entrepreneur training, Kauffman Foundation
http://fasttrac.org/

HandMade in America
http://handmadeinamerica.org

IMPLAN Economic Modeling

U.S. Census – County Business Patterns
http://www.census.gov/econ/cbp/

U.S. Census – Non-employer Statistics
http://www.census.gov/econ/sbo

U.S. Census – North American Industry Classification System (NAICS)
http://www.census.gov/eos/www/naics/

University of Wisconsin Extension
http://www.uwex.edu

UWEX Center for Community Economic Development
http://www.uwex.edu/ces/cced
Woods and Poole Economics

Text


Now that the regional team has identified potential clusters in the region, this module moves them to examining economic development strategies that might be useful for strengthening a regional cluster.

**NOTE:** Prior to the presentation of this module, the regional team should have selected a small number of industry clusters from the list provided in the previous module for further exploration. These more specialized reports are provided by the Southern Rural Development Center. Please give at least two week’s advance notice of industry report needs.

“Welcome to today’s session: Exploring Strategies for Enhancing the Regional Economy. This session will examine specific strategies that might be used to advance the economy of your region, with a specific focus on strengthening the regional cluster(s) the team has identified.”
Today’s high quality regional economic development plan emphasis will be on “evidence-based.” Specifically, the regional team will explore the potential industrial clusters on which to focus their efforts. The decision will be based on the evidence explored in this session.

“Today’s focus will be on the critical element that your high quality regional economic development plan be evidence-based. The plan builds on the region’s economic strengths, including its current and emerging economic clusters and other relevant assets. As we explore the data on specific industries selected during the last session, we will begin to use this evidence to provide direction to the planning process ahead.”
Instructions:

This module is the “so what” of the previous module, in which the team explored possible clusters in the region. Based on the regional team’s selections from the previous module, today’s session will identify economic leakages and explore possible strategies to strengthen these clusters by closing these leakages (import substitution.)

Script:

“Today, we will identify specific regional cluster leakages and explore avenues for strengthening the clusters by closing the leaks. By the end of the session, we will have some potential directions selected and will be able to complete the HQP section describing our region’s industry cluster focus.”
This slide was introduced in the previous module and becomes a link for furthering the discussion of economic leakages.

"You may remember our discussion of the leaky bucket during the previous module. As a quick review, think of the regional economy as a bucket. Money flows in and out of a regional economy (the bucket) based on goods and services that businesses and people buy and sell. When money leaves the region because goods or services were purchased from outside either by people or by businesses, this constitutes a leak in the regional economic bucket. What are some examples of leaks (i.e. goods/services not available locally) in this region?" [Allow for a short discussion.]
This slide continues to expand on the concept of import substitution.

“One way to plug a leak in the regional economy is to connect regional demand for goods and services with the regional suppliers of those goods and services. Many things individuals or businesses need can be found from suppliers within the region, but due perhaps to lack of adequate information or connections, those things might currently be purchased outside the region. By substituting demand for externally produced goods with regionally produced goods, regions can retain capital for use within the community. This is import substitution.”
This slide outlines the basic steps in the process of strengthening the regional cluster through import substitution.

“How can we strengthen our cluster by focusing on import substitution? The steps in this process are outlined on this slide. First, we must identify the industries that support the cluster. Next, we look at what is being purchased from outside the region. Exploring the regional capacity for supplying these imports is the next step. Finally, we consider the resources (personnel, raw materials, infrastructure, etc.) that will help promote the creation, expansion, retention, or attraction of businesses to create these goods and services within the region that have been previously imported.”
Instructions:

This slide provides an example of import substitution through an exploration of the wine industry.

Script:

“Let’s imagine that we have a potential wine cluster in the region. By mapping the inputs used in making wine, we can see the potential for the cluster. For ease of discussion, let’s assume there are only six items used in the production of wine: grapes, irrigation systems, fertilizer, advertising, research, and labels. Each box on the slide represents the amount of the input, with larger boxes suggesting larger dollar value of inputs needed to produce wine. The color of the box tells the percentage of the needed input that is currently available in the region. For example, 100 percent of the grapes currently needed to produce wine are available regionally. On the other hand, only a small percentage of labels are currently available regionally. Currently, the region has no manufacturers of irrigation systems or regional advertisers. Just by glancing at this illustration, what might be the easiest leak to plug using the existing resources in the region? [Allow for discussion.]

As a result of this process, we can examine the potential growth of each of these input industries and the associated job skills needed to support them. In addition, the region must decide if these are the types of industries and jobs deemed desirable for the area. It is possible something like coal mining might be quite lucrative since coal energy serves as an input into nearly every good produced. However, the region might decide that mining is not an industry it wants to see expanded in the area.”
Instructions:

At the close of the previous module, the regional team selected a few industries to explore in depth. Choose one of these industries and replace the sample chart shown on this slide with that regional data. Also, add the name of the industry to the title.

At this point, hand out the detailed industry data and begin a discussion of where leakages are occurring. Discussion points should include where the largest amount of dollars are leaking. The following section will begin guiding thoughts toward potential strategies for stopping the leaks.

Script:

“At the close of the previous module, this regional team identified [number of industries] that you wanted to explore in greater detail. This slide shows some of that information for [industry].

[Hand out the data for this industry to help facilitate the discussion. Do not hand out all the reports yet (if you have more than one to share). That will come after this opening discussion to help participants interpret the data.]

The chart shows exactly where the leakages within this industry are occurring. Several different aspects of this information deserve our attention. First, looking at overall expenditures (total length of the bar) within a category gives us a sense of scale within that industry while looking at the amount of money leaking from the region (white part of the bar) tells us where we may have greater opportunities to strengthen the cluster regionally. Also of importance is looking at the specific goods or services where the leakages are occurring. The region can then begin to think about whether the ability to fill those demands already exists within the region or would need to be created or attracted to fill that need. All of this is guided by what may be attainable by and relevant to the region.”

[Once you feel confident that participants understand how to interpret the chart, move to the next slide for small group work.]
Instructions:

Now that the groundwork has been laid, divide the group into smaller teams to examine the data in more detail. If you have more than one industry report to examine, you may want to ask different groups to look at different reports. Ask participants to consider the bullets on the slide: (1) where leakages are occurring, (2) where the region may already have the capacity to respond (i.e. businesses already exist within the region that could provide the needed goods/services), and (3) where potential growth opportunities may exist, either in growing existing businesses, creating new, or recruiting from outside to help fill the gaps. Give each group time to report back to the larger group. Note that the groups do not have to identify specific strategies at this point, as you will explore that over the next section. Rather, ask them to look for key points within each industry on which they may want to develop strategies to address.

Script:

“Let’s take time now to examine the details for the clusters we requested. The points outlined on this slide can guide the group in identifying areas where focused regional strategies may foster growth within the cluster(s). In small groups, consider:

- Where leakages within the cluster are occurring
- What exists within the region that may already be able to meet the demand for the associated products or services being imported from outside
- What arenas may provide potential growth opportunities for launching new enterprises, expanding existing, or strategically recruiting from outside

[Stop to allow for small group discussion on these elements. Once these steps have been explored, provide time for each group to report back.]

These insights will be helpful as we devote time over the next few slides to develop a deeper understanding of strategies that may be useful in responding to what you have discovered.”
This slide introduces the four avenues of cluster enhancement, each aimed at stopping leakages in specific ways. These avenues are drawn from the C.A.R.E. Model (full reference below), an on-line resource that goes through each of these in more detail.

**Instructions:**

“In the newly revised C.A.R.E. model developed by a team of community development specialists, four avenues are described to help build and enhance an existing or emerging cluster. Each avenue has the potential of stopping leakages that are occurring or threatening to occur. These are:

- Creation of new firms from within the region
- Attraction or recruitment of firms from outside the region
- Retention of existing firms that contribute to the cluster
- Expansion of existing firms to increase the regional capacity of the cluster

We will take a deeper look at each of these.”

**Slide:** 10

**Time:** 1 Minute

This slide introduces a discussion of business creation as an avenue for stopping cluster leakages. The concept of creation involves growing new enterprises locally to fill the gaps of goods or services that are not currently available locally. A focus on strategies for enhancing entrepreneurship is discussed in the following slides.

“One option for sealing off leakages is to foster the growth of new businesses within the region that can produce goods or services that are currently purchased from outside the region. Focusing on ways to foster entrepreneurship can strengthen this avenue.”
Instructions:

A number of strategies can be implemented within a region to support this important element of economic growth. This slide highlights a few, but allow the regional team time to suggest others.

Script:

“How can regions identify and support people interested in launching a new business venture in the region? A number of training models, such as weekend boot camps, FASTTRAC (a multi-week training program), Cashing in on Business Opportunities, or other short-term, targeted business training activities have successfully launched entrepreneurs. Successful business owners can also serve as coaches to those new to the business world. Entrepreneur networking can also help generate needed support for start ups. (Don’t forget to consider youth as entrepreneurs!) Business incubators have also provided vital support to beginning businesses.

Do any of these programs exist in the region? What other types of programs exist in the region to support entrepreneurs or new business development?” [Allow time for discussion.]
Instructions:

A number of key components can influence the success or failure of a new business or entrepreneurial effort. This diagram illustrates a few of those. After introducing the material, divide the team into small groups, using one of the two options listed below. Allow them to brainstorm what they already have in place for each area and what potential avenues for improvement exist.

Script:

“Entrepreneurs (or new business developers) often need or want access to a set of support systems in order to launch and thrive. What does an entrepreneurial supportive region look like? This diagram illustrates the types of support a region can provide for these new enterprises. The range of support can include:

- **Intellectual stimulation**, or an openness to new ideas
- **Access to capital**, which can include start-up funding, loan opportunities, etc.
- **Education**, both formal and non-formal that can help prepare an entrepreneur for the tasks ahead
- **Information** on resources available, how to walk through start up processes, etc.
- **Infrastructure** could include Internet (broadband), transportation, and a host of other supportive structures
- **Services and amenities** – Entrepreneurs tend to be drawn to places with creative options and amenities that would enhance the quality of life. What does your region have that would be attractive?
- **Connections and networks** – Connecting entrepreneurs to other entrepreneurs and related businesses that would strengthen their opportunities for success can make a tremendous difference.
- **Community support** – Generally, the region is supportive of entrepreneurs and seeks to give them the best start possible.”

[Stop at this point and ask the regional team to talk in small groups about these eight elements. Which ones are strong in the region and which ones would need work? After a few minutes of discussion, allow time for the groups to report back. Capture key points on two flip charts, “Things We Do Well” and “Potential Areas for Improvement” for later discussion.]

Alternate approach: Post eight charts around the room, each one with a different heading from this chart. Divide the team into small groups and allow time for them to move around the room to each chart and brainstorm what they already have in place for each area and what potential avenues for improvement exist. Once each small group has visited each of the eight charts, take a few minutes to summarize each one. Note that this approach will take longer, but may provide a more detailed summary of each element.

NOTE: SET has developed a supplemental module specific to entrepreneurship for regions that are interested in exploring this avenue in greater depth.
As the team walks through each of the C.A.R.E. components, they will be asked to reflect on what has been done in the past in each realm as well as some potential strategies to consider for the future. Keep a running list of these as you walk through this part of the module. These will be important insights when thinking through assets and in the final plan development.

**Script:**

“As we go through each of the C.A.R.E. components, we will take a few minutes to consider what the region has accomplished in the past within each realm and what potential strategies for the future may be worth considering. Let’s take a few minutes to consider this first realm: small business/entrepreneur development or Creation.”

[These check points can be accomplished in several different ways. You can divide the group into small groups to discuss and report out, you can give everyone sticky notes and ask them to jot ideas to post on flip charts with these labels, or any other process that helps break up the lecture format and get people moving and interacting together.]
This slide introduces the concept of business attraction, or recruitment. However, unlike some traditional “shotgun” attraction approaches, the attraction efforts here are specifically targeted to fill missing pieces from the regional cluster.

“Another potential avenue for stopping leakages is attraction, or recruiting firms that can supply missing goods or services that support the cluster. This involves taking a good look at the elements of the cluster that are provided by external sources and designing a purposeful plan for recruiting those businesses into the region that can fill those specific gaps.”
A regional team’s efforts to attract an industry should be focused and purposeful rather than driven by blind attraction to any industry out there.

“Simply put, blindly attracting industry is a strategy of the past, particularly for rural areas. The days of luring businesses to rural regions with the promises of tax incentives are history. Too many times, businesses would enter the region, accept the incentives, and after a short period of time in the region, pick up and move to some other location. This left the area more devastated than it was before the arrival of the business.

However, recruitment efforts that are targeted and purposeful, based on the industry’s potential for success within an existing regional cluster and the region’s ability to meet the industry’s workforce demands, infrastructure needs, education priorities, and regional support (remember Porter’s Diamond Theory), are proving to be much more successful. One example of approaching this targeted attraction is provided in the Community Business Matching Model. Let’s take a closer look.”
The next few slides discuss models that have been used by communities to determine industries that might be successful in particular areas. These models are attraction models, meaning we are identifying industries to invite to the region. These are not blind attraction strategies, where “we’ll take anything we can get.” Using data that measure the resources, skill levels of workers and other amenities, regions seek industries that might work best in the region.

“Have you ever heard someone say, ‘We are working on attracting ________ (some large manufacturer) to our rural region?’ Has this type of strategy been successful? What has worked, and what hasn’t worked? Was research done beforehand to determine the likelihood of success for this type of industry in the region? [Allow for a short discussion.]

Location models employ place specific data to calculate the probability of certain types of industries locating in a particular area. These models look at the probability of a firm within a particular industry moving into a region based on the qualities of the region and the existing businesses operating there. This method provides regions with a list of attributes that they need to strengthen before inviting particular industries to operate in the region.

Sometimes examining demographic and economic trends will identify industries that are unlikely to be attracted to the region given the current set of resources available. . . AND THAT’S OK! We can also find industries and businesses that will work well in the region, particularly as they fit with a growing regional cluster.”
The Community Business Matching (CBM) Model, a type of location model, is receiving strong reviews from economic development agencies for its comprehensive approach to matching community desires and business needs. The model matches the needs of businesses to the assets and goals of the community. This results in a set of industries that might be successful in the region, and thus deemed a good “fit.” The analysis is based on surveys of business needs and a year-long community discussion about what the community desires regarding business. This same model can easily be applied on the regional level.

“The Community Business Matching (CBM) Model is a tool that walks a community (or region) through a year-long process to determine the types of industries it would prefer to see locate in the region. The community weighs the economic, social, and environmental impacts of industry and, as a community, determines how to prioritize these impacts. For example, communities that consider environmental issues over economic and social issues would never target an industry that might have a negative impact on the environment. Communities that consider economic issues to be the most important might weigh social and environmental impacts less.

At the same time, businesses are surveyed about the amenities and infrastructure they seek when making location decisions. These could include a skilled labor force, broadband, access to transportation, high quality education, recreational opportunities, etc.

In the end, the region has two measures: desirability, which helps determine how likely a business is to meet the goals of the community, and compatibility, which assesses the likelihood that the business will locate in the community or how well the community’s assets meet the demands of the business. By simultaneously solving for desirability and compatibility, the community can more effectively target desired businesses.”

NOTE: A supplemental module focusing on the Community Business Matching Model has been developed for SET teams.
Instructions:

Provide time for the regional team to consider past successes and challenges related to attraction efforts in the region. Also, have them consider how this process that links targeted, purposeful attraction to cluster linkages could result in regional strategies.

Script:

“Let’s think for a minute about this region. What are some past attraction (recruitment) successes or challenges that you have experienced in this region? How can these principles of targeted attraction contribute to strengthening the region’s identified clusters?”

[Allow time for discussion. Be sure to capture potential strategies on flip charts as the regional team discusses the possibilities.]
This slide introduces the concept of business retention and expansion. These closely related directions both seek to improve existing firms that make up the regional cluster. If a firm within a cluster should crumble, the whole regional cluster is weakened. Likewise, if a firm is unable to expand to meet a growing demand, an opportunity to grow the cluster is lost, leaving the door open for the related dollars to go outside the region.

“The avenues of business retention and expansion are closely related in that they both focus attention on strengthening existing firms within the regional cluster. While some overlap between retention and expansion exists, both are equally important. For instance, if a firm within a cluster should crumble, the whole regional cluster is weakened. Likewise, if a firm is unable to expand to meet a growing demand, an opportunity to grow the cluster is lost, leaving the door open for the related dollars to go outside the region. We will look at these avenues in more detail in the next few slides.”
A number of retention and expansion strategies exist. Two promising approaches are noted here and discussed briefly in the following slides.

“A number of strategies exist for strengthening business retention and expansion. We will take a few minutes to briefly examine two promising approaches.”
This slide outlines some important benefits of a business retention and expansion study.

“Business retention and expansion studies (or BR&E for short) focus on strengthening the businesses that already exist in a cluster within the region, resulting in a number of potential benefits:

• Lets businesses know they are valued
• Helps solve regional business issues
• Connects businesses to regional resources
• Creates connections among regional organizations
• Fosters job retention and growth

A targeted BR&E study focuses attention on the businesses in the region that are connected to a particular cluster the region wants to strengthen. Through these discussions, the region can develop strategic plans that address commonly identified issues that will help strengthen the cluster as a whole. The next slide outlines this process.”
Instructions:
This slide outlines the basic steps in a typical business retention & expansion strategy.

Script:

“While business retention and expansion efforts can vary, they often start with a visitation program. A regional group, such as this team, recruits volunteers to visit businesses within the cluster, asking them to identify elements in the region that either aid or hinder business success. Additionally, business owners are asked about the future of the business and about their interests in exploring any specific growth opportunities.

The most important part of the process is the follow-up. First, the region responds to identified concerns. For instance, if, during an interview, a particular business says, ‘We might have to shut down in the next six months,’ the group would immediately explore options for preventing this business from closing. These could include any number of elements, such as infrastructure needs, workforce availability or training, or the need to reduce costs. In addition to these individualized responses, the collective business voices may point to other needs, opportunities and challenges to be addressed in the region. The group would then discuss strategies that could help the region retain businesses and explore avenues to promote expansion, implementing responsive strategies as soon as possible.”

Reference: Business Retention and Expansion International is an excellent source for information on this process: http://www.brei.org/
Another strategy that has potential application across the entire C.A.R.E. spectrum is business network development. As this slide notes, this is a formal or informal collaboration among firms within a given cluster for the net benefit of all.

“One strategy that has the potential for strengthening a cluster across the entire C.A.R.E. spectrum is network development. These focus on local people and local businesses, but can also help strengthen creation and recruitment efforts. A business network is a formal or informal collaboration or cooperation among firms that are part of a value chain for the purpose of creating a net benefit for all involved. These networks can also include non-business entities such as government agencies, nonprofits, etc.”
Instructions:

Allow time for the regional team to explore these questions related to past, present, and potential future retention and expansion efforts. Help them keep the focus on the cluster(s) identified, though some strategies may have more broad-reaching effects.

Script:

“Now that we have considered the importance of retention and expansion efforts in supporting regional clusters, please take a few minutes to consider the questions on the screen. In small groups, outline what your region has done (or is currently doing) to support retention and/or expansion of firms within the region’s identified cluster(s).

Then, take a few minutes to identify some potential strategies for the future to support these existing firms.”

[Be sure to capture key points on flip charts for later use.]
**Instructions:**

Draw participants’ attention back to Porter’s Diamond Theory elements as they begin considering appropriate strategies for strengthening the potential clusters. The C.A.R.E. for the Region handout will be valuable in this discussion.

**Script:**

“We have explored a variety of possibilities during the course of this module, both in clusters to strengthen as well as in appropriate strategies. Before we move forward, though, think back to the discussion in the previous module on the four elements that contribute to competitive advantage (Porter’s Diamond Theory). Considering these four vital elements of competitive advantage to the specific C.A.R.E. strategies will help further strengthen the regional plan. At the end of the last session, you were given a handout to consider: C.A.R.E. for the Region. Let’s take a few minutes to consider this flowchart in light of what we have been discussing. In small groups, please take a few minutes to walk through the guiding questions in the chart related to the industry(ies) we have been considering.”

[If the group is exploring several potential industries to target, you may want to assign different groups a different industry to consider. After groups have had time to think through the process, provide time for each group to report back. Be sure to capture potential strategies on the flip chart. These will be used in a later module.]
Instructions:

Help participants consider any additional data needs or other information gathering that may be necessary before moving into the planning stage. If information is needed, make sure the group accepts ownership of any action involved in retrieving the information.

Script:

“In the next session, we will begin to narrow our potential goals and frame them into S.M.A.R.T. goals to guide the High Quality Plan’s future. In preparation for that time, are there any other potential strategies you want to add to our flip chart list to be considered? Are there other data that we need in order to make an informed decision about the plan?”

[Add any identified strategies to the chart started during the C.A.R.E. discussion. If additional data needs are identified, be sure the regional team develops a plan for getting the needed information prior to the next SET session.

Ask for a volunteer or team of volunteers to complete the draft section on which industries the region is selecting.]
Instructions:

Take a few minutes to ask for some feedback from your group on the content of this module using the questions on the slide.

Script:

“We’ve gone through a good bit of information in this session. Now please share your ideas and reactions to the topics and strategies introduced to you.” [Read through each of the questions outlined on the slide and allow time for discussion.]
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