

## *Hubert H. Humphrey Institute of Public Affairs*

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# **EMERGING PRINCIPLES IN STATE AND LOCAL ECONOMIC DEVELOPMENT: A BENCHMARKING TOOL**

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Lee Munnich, senior fellow and director of the State and Local Policy Program, was the principal investigator for this study. Two Humphrey Institute graduate students, Elizabeth Hubbard and Gretchen Nicholls, served as research assistants and worked with Munnich in conducting the study.

Over one hundred economic development professionals, policy thinkers, academic experts, and regional leaders contributed to the development of the ten emerging principles and pilot tests of the assessment tool presented in this report. Participants in the roundtable meetings, phone conferences, and pilot tests are listed in the resources section at the end of this report. State, regional, and local economic development organizations contributed ideas and information for the twenty-four models that are presented as examples of the emerging principles. Descriptions of the models and the key contacts for the organizations are identified later in this report.

State and Local Policy Program staff Marit Enerson, community program specialist, and Josh Nasvik, student worker, assisted in organizing and verifying information for this report. Elsa Larson edited the text and managed the design, production, and printing of this report. Cover and layout design are by Larson and Juli Bratvold and printing is by the University of Minnesota Printing Services.

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***Emerging Principles in State and Local Economic Development:  
A Benchmarking Tool***

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# I. EXECUTIVE SUMMARY

The purpose of this report is to help state and local economic development organizations to define and assess their economic development strategies. The report presents ten emerging principles for economic development that should be the basis for planning and implementing a successful state, regional, or local economic development program. Designed to be useful to economic development practitioners, the report is also intended to give those who seek to understand state and local economic development policies a framework for examining different approaches. This report gives examples or models that economic development organizations can use to benchmark their efforts against other economic development organizations.

The term benchmarking has several meanings. One meaning, pioneered by the state of Oregon, is quantified goals for state and local government policy. Another meaning of benchmarking is used by businesses involved in quality and productivity improvement efforts. This type of benchmarking is being used increasingly by businesses to improve their processes in today's competitive global economic market and by government organizations to meet public expectations for more efficient use of public resources by adopting "best practices."

## UNDERSTANDING ECONOMIC DEVELOPMENT

Economists generally define economic development as the process of creating wealth in a nation, state, or local economy. Economic development activity should focus on investments and strategies to increase productivity, such as through investments in physical infrastructure and human capital. Many economists criticize state and local economic development incentive wars as a "zero-sum" game, or even a "negative-sum" game where society loses because of lower productivity. Timothy Bartik, an economist with the Upjohn Institute, disagrees and suggests that in some cases state and local economic development policies may increase productivity, particularly if policies are aimed at increasing employment in high unemployment areas.

Another perspective, which may explain why economists are so far from practitioners in the area of economic development, is that of W. Brian Arthur, an economist at Stanford University. Some regions amass a large portion of an industry because of historical chance or geographical superiority. Traditional economics is based on an assumption of decreasing returns, which are more likely to occur in resource-based industries such as agriculture, bulk-goods production, and mining. On the other hand, knowledge-based industries such as computers, pharmaceuticals, missiles, aircraft, automobiles, software, telecommunications equipment, or fiber optics are more likely to be subject to increasing returns.

Whether or not governors, mayors, and economic development professionals understand the economics, they do know that short-term business location decisions can lead to long-term economic consequences for a region. The problem is setting the boundaries on public sector economic development activities and recognizing that government is ill-equipped to make judgments about the private marketplace.

State and local economic development has become a job of managing contradictions. Economic development programs are generally very targeted efforts to recruit or retain businesses through

marketing, financial incentives, or technical assistance to businesses. At the same time, an economic development strategy must be comprehensive, including a wide range of public investments and policies that affect a region's economic health. Whereas economic development programs are local in nature, opening international markets and increased global competition pose new challenges and opportunities. Economic development as practiced at the state and local level is highly competitive, yet more and more economic development professionals are seeing the benefits of cooperation, particularly through regional economic alliances. An unresolved issue among economic development practitioners is whether economic development efforts should focus on generating wealth or on assuring economic equity by targeting programs to improve the productive capacity of economically distressed areas or individuals with the greatest need.

A successful economic development program requires a highly focused effort with specific goals and action steps. Nonetheless, economic development professionals must have a high degree of flexibility to respond to a very dynamic marketplace and to economic opportunities that may arise very quickly. Economic developers must deal effectively with short-term requirements of businesses in making their location decisions; yet these decisions must be made in a long-term context of what is best for the state or regional economy. Economic development policymakers and practitioners must worry about both substance and process both what they do and how they deliver their services. Economic development is both a private and a public sector activity. Jobs and income are created by the private sector, but government decisions on taxes, spending, investments, regulations, and incentives may affect the business investment and location decisions.

During the 1980s, several public policy organizations and think tanks, such as the Corporation for Enterprise Development, tried to bridge the gap between the theory espoused by economists and academic scholars and what state and local governments were actually doing in the area of economic development. Some advocated a fundamentally new approach to economic development or what became known as "third wave" strategies. First wave strategies began in the South in the 1930s with industrial recruitment, known as "smokestack chasing," to lure branch plants from the industrialized North. Second wave initiatives, which started in the 1980s, sought to fill perceived market gaps and imperfections through government programs that directly provided economic development services to individual businesses. Third wave strategies call for a radical restructuring of state programs based on the principles of increased scale, flexibility, leverage, and accountability. Third wave advocates argue for a wholesale rather than retail approach to economic development, building networks and consortia, relying on local intermediaries, and leveraging resources through strategic investments.

Third wave approaches are linked to the philosophy and approaches recommended by David Osborne and Ted Gaebler in their best-selling book *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector from Schoolhouse to Statehouse, City Hall to the Pentagon*. The *Reinventing Government* approach advocates injecting competition into service delivery and leveraging change through the market and through customer-driven services. The Clinton administration's National Performance Review draws extensively from the principles outlined by Osborne and Gaebler in their book. State and local governments have also initiated reinvention and reengineering efforts for a wide range of public services.

The labels for these organizational redesign efforts may vary, but they are all part of a larger movement in transforming the way the public sector does business. This quality movement draws from a number of sources, not the least of which are those of W. Edwards Deming. Deming taught Japanese business leaders how to rebuild their economy after World War II and helped U.S. businesses regain their competitiveness during the 1980s. Deming's philosophy and organizational approaches have slowly crept into federal, state, and local governments during the eighties and nineties and inspired more ambitious strategies to reform government.

## **TEN EMERGING PRINCIPLES IN ECONOMIC DEVELOPMENT**

The fundamental purpose of economic development policy should be to increase productivity so as to bring economic benefits to an area. Given this purpose, the ten emerging principles in economic development (see below) provide a framework for improving performance in economic development efforts. The ten principles fall within four general categories: goals, scope, organization, and process.

### **GOALS: WHAT ARE THE GOALS OF YOUR ECONOMIC DEVELOPMENT EFFORTS?**

#### **COMPETITIVENESS**

Creating a competitive advantage is based on maximizing the human, natural, and institutional resources of an economic region.

#### **EQUITY**

Economic development efforts should be focused on improving the productive capacity of those areas and populations that are most disadvantaged and in need of assistance.

### **SCOPE: BEING COMPETITIVE IN THE CURRENT ECONOMIC CLIMATE REQUIRES THINKING BEYOND TRADITIONAL ECONOMIC DEVELOPMENT CONCERNS.**

#### **GLOBAL ECONOMY**

A key role for economic development organizations is helping businesses make the transition from targeting domestic markets to taking advantage of international opportunities.

#### **COMPREHENSIVE STRATEGY**

Issues of education, housing, health care, transportation, and general quality of life have important contributions to make to the economic health of an area.

### **ORGANIZATION: ALTHOUGH ASSISTANCE MAY BE DELIVERED DIRECTLY TO BUSINESSES, ECONOMIC DEVELOPMENT STRATEGIES SHOULD BE ORGANIZED BY INDUSTRY SECTORS AND/OR REGIONS. INsofar AS POSSIBLE, ECONOMIC DEVELOPMENT EFFORTS SHOULD BE WHOLESale, NOT RETAIL.**

## **REGIONAL COLLABORATION**

The strength of a single local economy depends on the economic strength of surrounding areas. Economic strategies need to achieve economies of scale by being directed to regional areas.

## **INDUSTRIAL FOCUS**

Rather than targeting individual firms or businesses, economic development agencies should focus on supporting clusters of industries that are well suited to an area.

**PROCESS:** HOW YOU MANAGE OR IMPLEMENT AN ECONOMIC DEVELOPMENT STRATEGY CAN BE AS IMPORTANT AS WHAT YOU DO.

## **CUSTOMER ORIENTATION**

To be successful, an economic development effort must first define who the customer is, and secondly, meet the needs of those it is designed to serve.

## **PARTNERSHIPS**

Economic development agencies need to work closely with other partners, such as businesses, nonprofits, and community organizations, to develop a path toward the future.

## **MEASUREMENT AND EVALUATION**

A high performance organization collects information about its performance in order to assess the impact of its work and evaluate the strengths and weaknesses of its services.

## **LEARNING**

Organizations must continually work to improve performance.

## **CONDUCTING A STRATEGY ASSESSMENT**

The ten emerging principles apply to states as well as to regions and local areas. To test these principles as a tool for self-assessment, the Humphrey Institute's State and Local Policy Program staff conducted interviews with state economic development professionals and focus groups with community leaders in substate regions. Seven states Connecticut, Hawaii, Indiana, Mississippi, Oregon, Texas, and Virginia participated in a pilot test of the self-assessment tool through phone interviews. Focus groups were conducted with five regional development organizations in Minnesota. State and regional representatives were asked to identify programs or activities that illustrate each of the ten principles, opportunities where each principle could be implemented, the barriers or constraints to implementation, and action steps to implement the approach.

State development professionals found the ten principles a useful approach for examining their economic development strategies, allowing them to look at their programs in new ways. The approach helps to shape a shared vision of economic development, allowing states to learn from others and share results. Most of the participants agreed with the principles, although there was some disagreement over whether equity should be a principle in an economic development strategy. Some felt the assessment tool did not address the political environment that causes swings in economic development policies with new administrations and new political actors after

each election. Several expressed frustration with how to implement both the measurement and evaluation principle and the learning principle.

Regional focus groups were organized through regional development commissions (RDCs) in Minnesota. Each RDC invited a small group of regional leaders, including business representatives and economic development practitioners. The regional focus groups generated lively discussions and an opportunity to focus on strategy with a cross section of regional leaders. The ten principles worked well in each regional meeting as a framework for assessing regional strategies, which require the cooperation of many diverse organizations. The challenge for a region is to organize its leadership in such a way that it can follow through on long-term strategies.

Conducting a self-assessment using the ten principles requires about four hours with a small group of leaders and professionals. The group should generally consist of about eight to twelve business leaders, economic development professionals, and community leaders who are familiar with economic and business conditions and with economic development and public policy issues in the state, region, or local area. A set of instructions and worksheets that can be used to conduct an economic development self-assessment is provided in this report (see "A Regional Strategy Assessment Process: Sample Packet" beginning on page 25).

## **STATE AND LOCAL ECONOMIC DEVELOPMENT MODELS**

The final section of this report presents twenty-four models or examples of state, regional, and local economic development organizations that are applying each of the ten emerging principles. These models can be used by economic development organizations to benchmark their efforts against others seeking to address the same issues. One word of caution the individuals involved with the organizations and programs discussed as models recognize that they are still learning and have not necessarily achieved the ideal. The models identified in this report are only a starting point for benchmarking. State and local governments should seek out other organizations public and private whose experiences may help in redefining or improving their own programs or processes.



## **II. INTRODUCTION**

In December 1992, the Humphrey Institute of Public Affairs hosted a State and Local Economic Development Strategy Summit in cooperation with the National Conference of State Legislatures. Representatives of twenty-six states and a Canadian province participated in a wide-ranging discussion of current economic development topics, such as whether economic development policies are a zero-sum game, the role of state and local government in the global economy, the emergence of regional economic development organizations, evaluation of economic development programs, and an exploration of "third wave" economic development strategies.

During a discussion at the summit, one of the participants commented that she was very impressed with the ideas expressed, but wondered if there was a guidebook on how to apply these new approaches. Her question led us to propose a project to the Economic Development Administration of the U.S. Department of Commerce to develop a benchmarking tool for state and local governments to assess and improve their economic development strategies. The proposed benchmarking tool would be based on emerging principles in economic development, such as those advocated by proponents of third wave, reinventing government, and quality improvement strategies. The Economic Development Administration funded our proposed project. This report presents the results of our efforts.

The purpose of this report is to help state and local economic development organizations in defining and assessing their economic development strategies. The report presents ten emerging principles for economic development that should be the basis for planning and implementing a successful state, regional, or local economic development program. Designed to be useful to economic development practitioners, the report is also intended to give those who seek to understand state and local economic development policies a framework for examining different approaches.

### **WHAT IS BENCHMARKING?**

The term benchmarking has several meanings. One meaning, which has gained recent prominence in the area of economic development, is benchmarks as quantified goals for state and local government policy. The state of Oregon pioneered this approach in 1989 through their strategic plan Oregon Shines (Oregon Economic Development Department 1989). The Oregon Progress Board established and now monitors 259 benchmarks, or standards, for measuring statewide progress and institutional performance (1994a). These benchmarks are now being used by the Oregon legislature in setting budget priorities. Other states, such as Minnesota, Texas, and Utah, have followed Oregon's lead in establishing their own programs to set measurable performance goals and link them with state policy. The Southern Growth Policies Board sponsored a conference on benchmarking and performance measurement in the South in June 1994 and issued a report of the proceedings (1994b), as well as a series of other reports on benchmarking and accountability (1994b, 1995).

Another meaning of benchmarking is that used by businesses involved in quality and productivity improvement efforts. The initiation of the Malcolm Baldrige Quality Award by the U.S. Department of Commerce in 1987 has stimulated many American businesses, as well as

government organizations, to conduct self-assessments and to benchmark against "world-class" standards. The purpose of this type of benchmarking is to identify the best practices of other organizations to continually improve and achieve the best in all efforts or work methods. Benchmarking is being used increasingly by businesses to improve their processes in today's competitive global economic market and by government organizations to meet public expectations for more efficient use of public resources.

In the past decade there have been several attempts to define world-class standards or "best practices" for state and local economic development. In 1992, the Aspen Institute published a series of policy guidelines on examples of best practices among economic development programs (1992a-e). The institute continues to produce this series. The Corporation for Enterprise Development has recognized organizations that exemplify third wave principles through their Third Wave Development Awards (1992).

This report provides a framework and gives examples, or models, that economic development organizations can use to benchmark their efforts against other economic development organizations. One word of caution the people involved with the organizations and programs discussed as models recognize that they are still learning and have not necessarily achieved the ideal. The models we identify in this report are only a starting point for benchmarking. They are examples of how the emerging principles discussed later are being applied currently by state and local governments. States and local economic development organizations should seek out other organizations, public and private, whose experiences may help in redefining or improving their own programs or processes.

## **WHAT DID WE LEARN?**

During the course of this study, we conducted roundtable discussions and phone conferences with a wide range of academics, policy thinkers, and economic development practitioners to develop a better understanding of the principles and practice of economic development at the state and local level. As a result of these discussions and a review of the literature, we identified ten emerging principles of economic development that apply to both state and local economic development strategies. The principles cover goals, scope, organization, and process, all of which are important for a successful economic development strategy.

The Humphrey Institute project team conducted pilot tests of these principles with economic development leaders in seven states and with five regional development groups in Minnesota. The results of these tests are discussed later in this report. As a result of this project, we conclude the following:

- **ECONOMIC DEVELOPMENT STRATEGIES SHOULD BE PRINCIPLE-DRIVEN.**  
The field of economic development is complex. State and local solutions during the 1980s consisted of creating many programs to tackle different aspects of what policymakers perceived as economic development problems. A principle-driven approach suggests that policymakers should agree first on the principles they will follow, then tailor or redesign their programs to reflect these principles.

- **THE TEN EMERGING PRINCIPLES APPLY AT THE STATE, REGIONAL, AND LOCAL LEVEL.**

The principles we discuss in this report can be applied at the state or local level. An early concern was whether a common set of principles could be used by state governments as well as local or regional groups. Through our pilot tests, we found that the same principles apply to economic development efforts at various levels, though the priorities and specific approaches will differ.

- **A PRINCIPLE-DRIVEN APPROACH ALLOWS STATES, REGIONS, AND LOCAL ORGANIZATIONS TO BENCHMARK THEIR STRATEGIES AGAINST OTHERS.**

During the course of this study, we held phone conferences with state and regional economic development leaders on the emerging principles, and with city economic development professionals on the subject of program evaluation. During each of these dialogues, we found an eagerness among economic development practitioners to compare notes and gain information that they could use to improve their own programs and strategies. The ten emerging principles provided a common framework for this discussion and allow for more broad-based benchmarking by states, regions, and local development organizations.

- **A SELF-ASSESSMENT APPROACH CAN HELP TO ESTABLISH PRIORITIES FOR STATES AND REGIONS.**

There is a tendency when designing an economic development strategy to either try to do too much or too little. This report suggests a broad, comprehensive approach to economic development. To move forward on a broad-based strategy, it is necessary to set priorities and tackle critical problems first, then move on to other priorities. The self-assessment approach allows a state or region to establish priorities for action.

- **AN INVENTORY OF STRENGTHS AND WEAKNESSES CAN BE USED TO IDENTIFY AREAS WHERE IMPROVEMENT IS NEEDED AND HELP OFFICIALS DECIDE HOW TO IMPROVE ECONOMIC DEVELOPMENT STRATEGIES.**

The pilot states and regions were asked to assess their strengths, weaknesses, and opportunities using the ten principles recommended in this report. Most felt the ten emerging principles were a good framework for looking at what economic development organizations need to do in the future. The assessment tool does a good job of getting ideas and opinions on a large cross section of issues and can be used to help establish priorities for the future.

### **III. UNDERSTANDING ECONOMIC DEVELOPMENT**

The term economic development has taken on many different meanings, depending on whose perspective you listen to. Economists use the term in a very specific sense, while economic development practitioners apply it in a much different way. Elected officials and citizens are likely to have an even different view of what is meant by economic development.

#### **THE ECONOMISTS' PERSPECTIVE**

Economists generally define economic development as the process of creating wealth in a nation, state, or local economy (Bartik 1993). An important measure of a region's capacity to create wealth and improve the economic well-being of its citizens is per capita income. Economic development activity should focus on investments and strategies to increase productivity, that is, the economic output within an area relative to the cost of producing that output. Productivity can be improved by (1) the introduction of new technologies that allow workers to produce more in the same length of time, (2) quality and efficiency improvements through organizational or individual efforts, (3) transportation infrastructure investments that help reduce the costs of producing and distributing goods and services, or (4) investments in human capital, such as education and training.

Economists have criticized the economic development competition among states and local areas that use public subsidies and tax abatements as incentives to attract or retain businesses. At best, this war among the states is viewed as a "zero-sum" game. Some economists argue it is a "negative-sum" game because public spending for business incentives means fewer public resources for other public services such as education, police, fire, roads, or libraries. In addition, state and local tax policies and subsidies may cause businesses to locate in places that are not optimal and induce businesses to operate less efficiently. Melvin Burstein and Arthur Rolnick of the Federal Reserve Bank of Minneapolis make this argument and suggest that the U.S. Congress should end the economic war among the states by using its powers under the interstate commerce clause of the Constitution (Burstein and Rolnick 1995).

Timothy Bartik, an economist with the Upjohn Institute, offers a different perspective. Bartik also argues that economic development incentives should be viewed in terms of their impact on productivity. Bartik suggests, however, that in some cases, economic development policies may increase productivity, particularly if they are aimed at increasing employment in high unemployment areas. At the same time, Bartik admits that while economic development programs may contribute to improving productivity, there is little evidence to demonstrate that this is the case since there are so few statistically valid evaluations of state and local economic development programs (Bartik 1991, pp. 187-201).

W. Brian Arthur, an economist at Stanford University, presents a perspective that may explain why economists are so far from practitioners in the area of economic development. Arthur suggests that some regions amass a large portion of an industry because of historical chance or geographical superiority. Traditional economics is based on an assumption of diminishing returns. Economic actions engender a negative feedback that leads to a predictable equilibrium for prices and market shares. In reality, these stabilizing forces do not operate in many parts of the economy. Instead, positive feedback magnifies the effects of small economic shifts, resulting in many possible equilibrium points, a phenomenon economists refer to as increasing returns.

Decreasing returns are more likely to occur in resource-based industries such as agriculture, bulk-goods production, and mining. On the other hand, knowledge-based industries such as computers, pharmaceuticals, missiles, aircraft, automobiles, software, telecommunications equipment, or fiber optics are more likely subject to increasing returns. Arthur gives Santa Clara County in California (Silicon Valley) as an example of increasing returns. The decisions of a few entrepreneurs in the 1940s and early 1950s led to the largest concentration of electronics in the country (Arthur 1990, pp. 92-99).

Whether or not governors, mayors, and economic development professionals understand the economics, they do know that short-term business location decisions can lead to long-term economic consequences for a region. If only they could influence these early decisions at a point that would bring the benefits of the next Silicon Valley to their area. The problem is setting the boundaries on public sector economic development activities and recognizing that government is ill-equipped to make judgments about the private marketplace.

## **MANAGING CONTRADICTIONS**

State and local economic development has become a job of managing contradictions. If you were to ask a cross section of Americans what economic development means, the top answer would be "jobs." On further probing, the American citizen will tell you that he or she meant "good-paying, quality jobs." An investment in a new technology may lead to increased income with better-paying and more secure jobs over the long-term, but may mean the elimination of some jobs in the short-term. Likewise, continuing to support jobs in a business that has lost its competitive edge can result in the loss of all the jobs at a location. Jobs continues to be the primary measure of success for economic development at the program level, since it is the most understandable and accessible measure. At the policy level, however, it is important to understand the significance of income and its relationship to jobs.

State and local economic development programs are generally very targeted efforts to recruit or retain businesses through marketing and financial incentives, or to offer technical assistance to businesses in areas such as international trade, technology, laws, and regulations. While the array and types of economic development programs and organizations have multiplied in the 1980s and 1990s, the core activities of most economic development agencies remain in these areas. At the same time, there has been an increasing awareness that economic development must be much more than these targeted strategies. A state or local economic development strategy must take into consideration a wide range of public investments and policies that affect the economic health of a region. These include K-12 and higher education, transportation and other physical infrastructure investments, natural resources and environment, knowledge and technology development, and tax and fiscal policy. Many states and regional groups have begun to examine and redefine their economic development strategies in this more comprehensive way.

## ***ECONOMIC DEVELOPMENT STRATEGIES: MANAGING CONTRADICTIONS***

<b>COMPREHENSIVE</b>	<b>TARGETED</b>
<b>GLOBAL</b>	<b>LOCAL</b>
<b>COOPERATIVE</b>	<b>COMPETITIVE</b>
<b>EQUITABLE</b>	<b>WEALTH ORIENTED</b>
<b>FLEXIBLE</b>	<b>FOCUSED</b>
<b>PROCESS ORIENTED</b>	<b>SUBSTANCE ORIENTED</b>
<b>PRIVATE</b>	<b>PUBLIC</b>

Economic development programs are local in nature. The task of the economic development professional is to bring jobs into, or keep jobs in, the state, the region, or the city. This means lots of one-on-one contacts with businesses about local and immediate problems that must be addressed before a location decision is made. The economic development professional becomes local ombudsman, representing government to business, helping to solve regulatory problems on a timely basis, packaging financial incentives to reduce costs, and generally making the business feel welcome and wanted. Ironically, local economic development efforts have increased in intensity in large part because of the opening of international markets and increased global competition. Understanding the role of the local economy in the context of global markets has become a major new challenge for state and local policymakers.

Economic development as practiced at the state and local level is highly competitive. This is true at the political level, the individual program or project level, and in the eyes of the popular news media. Governors are rarely given credit for helping a neighboring state secure a new business, even if it is good for the whole region. There is a strong "home team" orientation to economic development. While competition dominates the economic development field, more and more economic development professionals are seeing the benefits of cooperation, particularly within an economic region. Regional alliances are emerging rapidly at the substate level as well as across state and international boundaries.

Much of the confusion about economic development results from the issue of whether economic development efforts should focus on generating wealth or ensuring economic equity. Many economic development programs are targeted to improve the productive capacity of distressed economic areas or individuals with the greatest need. Yet many economic development professionals feel that their job is to work toward increasing the overall wealth of the community rather than focusing on equity goals.

A successful economic development program requires a highly focused effort, with specific goals and action steps. At the same time economic development professionals must have a high degree of flexibility to respond to a very dynamic marketplace and to the economic opportunities that may arise very quickly. These opportunities may require a rapid and thorough response or they might disappear.

The business of economic development is a short-term activity, requiring economic developers to deal effectively with the short-term requirements of businesses in making their location

decisions. Yet these decisions must be made in a long-term context of what is best for the state or regional economy. Well-designed economic development strategy and programs are not enough. Economic development policymakers and practitioners must worry about both substance and process, both what they do and how they deliver their services.

Finally, economic development is both a private and a public sector activity. Jobs and income are created by the private sector, but government decisions on taxes, spending, investments, regulations, and incentives may affect the business investment and location decisions. Working on the boundary of the public and private sectors is an important function of the economic development professional.

## **THE THIRD WAVE**

During the 1980s, several public policy organizations and think tanks tried to bridge the gap between the theory espoused by economists and academic scholars and what state and local governments were actually doing in the area of economic development. One such organization was the Corporation for Enterprise Development. Since 1987, this organization has produced an annual "report card" on the economic performance of states, which is broadly reported by local news media and praised and attacked by state economic development officials, depending on their grades.

### ***THIRD WAVE PRINCIPLES***

**SCALE:** IS AN ECONOMIC DEVELOPMENT PROGRAM OF SUFFICIENT SCALE TO HAVE A REAL IMPACT ON THE ECONOMY? OR DOES IT ONLY HELP A FEW BUSINESSES AT A HIGH COST?

**FLEXIBILITY:** IS THERE SUFFICIENT FLEXIBILITY WITHIN THE ECONOMIC DEVELOPMENT STRATEGY AND PROGRAMS TO RESPOND PROMPTLY AND APPROPRIATELY TO CHANGING ECONOMIC CIRCUMSTANCES OR OPPORTUNITIES? OR DO RIGIDITIES IN PROGRAM ALLOCATIONS, REQUIREMENTS, AND ADMINISTRATIVE PROCEDURES LIMIT THE EFFECTIVENESS OF ECONOMIC DEVELOPMENT EFFORTS?

**LEVERAGE:** ARE PUBLIC INVESTMENTS MADE TO LEVERAGE THE GREATEST AMOUNT OF PRIVATE INVESTMENT? ARE PUBLIC PROGRAMS DESIGNED TO LEVERAGE THE GREATEST AMOUNT OF PRIVATE SUPPORT?

**ACCOUNTABILITY:** ARE ECONOMIC DEVELOPMENT PROGRAMS EVALUATED ON AN ONGOING BASIS? IS THE ECONOMIC DEVELOPMENT STRATEGY DESIGNED TO ACHIEVE MEASURABLE OUTCOMES? HAVE MARKET-BASED STRATEGIES BEEN INCORPORATED TO ALLOW CONSUMER CHOICE?

## THREE WAVES OF ECONOMIC DEVELOPMENT STRATEGY

**FIRST WAVE STRATEGIES** began in the South in the 1930s with industrial recruitment, known as *Smokestack Chasing*, to lure branch plants from the industrialized North.

**SECOND WAVE INITIATIVES**, which started in the 1980s, sought to fill perceived market gaps and imperfections through government programs that directly provided economic development services to individual business.

**THIRD WAVE STRATEGIES**, which are a new approach to economic development, advocate a radical restructuring of state programs based on the principles of increased scale, flexibility, leverage and accountability.

\*Dan Pilcher, "The Third Wave of Economic Development," State Legislatures (National Conference of State Legislatures, Denver) November 1991, pp. 34-37.

The Corporation for Enterprise Development's report card originally consisted of four indexes: economic performance, business vitality, resource capacity, and state policy. While the first three indexes were based on economic, business, social, and physical indicators that can affect economic performance, the fourth index was based on state policy indicators and the number and types of economic development programs a state had in place. After using this approach for a few years, Robert Friedman, who headed the Corporation for Enterprise Development, and his colleagues became concerned that their fourth category was not a valid indicator or predictor of economic success for states. A few states had most of the programs on their list, thus receiving A's, but were still performing poorly. Some states with fewer programs were performing well. Simply having a full set of economic development programs was not sufficient and may, in fact, be the wrong approach.

This led Friedman and other policy thinkers to a new way of conceptualizing economic development, known as third wave strategies. This approach provides a historical framework for understanding U.S. state and local economic development policies as well as a conceptual basis for examining these policies. According to this approach, state economic development strategies can be grouped into three waves. The first wave began in the South in the 1930s. Less developed southern states realized that they could attract branch manufacturers from northern states as a result of lower labor costs and other costs of doing business. Southern state recruiters used these competitive advantages along with tax exemptions and other financial incentives to lure branch plants from industrialized northern states. This practice became known as smokestack chasing. In spite of widespread criticism of this approach by economists and political leaders of both parties, industrial recruitment is now practiced by virtually all states.

During the 1980s, many states began to recognize the limitation of industrial recruitment and to focus more heavily on programs to encourage business retention and expansion. This has been named the second wave of state economic development strategies. These business retention and expansion programs were designed to fill perceived market gaps, such as the availability of capital financing at reasonable rates and information about how to export products to other countries. These programs focus on providing services and technical assistance as well as low-



interest loans to businesses considering expansions. These are the programs that the Corporation for Enterprise Development counted in grading state economic development efforts.

The third wave is based on a new paradigm for economic development. It suggests that the second wave government economic development programs face serious shortcomings. These programs (1) affect only a few businesses and lack sufficient scale to have a significant impact on economic development, (2) are too bureaucratic and not flexible enough to respond in a timely and effective way to the needs of businesses in a rapidly changing marketplace, (3) cost too much relative to their impacts and don't leverage public resources as well as they could, and (4) lack mechanisms to ensure accountability. Third wave advocates argue for a wholesale rather than retail approach to economic development, building networks and consortia, relying on local intermediaries, and leveraging resources through strategic investments.

### ***THIRD WAVE APPROACH***

- BUILD NETWORKS AND CONSORTIA.
- ESTABLISH LOCAL INTERMEDIARIES.
- WHOLESALE SERVICES AND PROGRAMS.
- REQUIRE LEVERAGE AND COMMITMENT.
- MAKE POLICIES AND PROGRAMS COMPREHENSIVE.
- GENERATE COMPETITION.
- FILL GAPS AND CHANGE BEHAVIOR.
- INVEST, DON'T GRANT.

\*Walt Plosila, "Technology Development: Perspectives on the Third Wave," The Entrepreneurial Economy Review (Corporation for Enterprise Development, Washington, D.C.) Autumn 1990, pp. 11-15.

### **REINVENTING GOVERNMENT AND THE QUALITY MOVEMENT**

The third wave approaches are linked to the philosophy and approaches recommended by David Osborne and Ted Gaebler in their best-selling book *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector from Schoolhouse to Statehouse, City Hall to the Pentagon* (1992). As described in their book, Osborne and Gaebler advocate injecting competition into service delivery and leveraging change through the market and through customer-driven services. The Clinton administration's National Performance Review draws extensively from the principles outlined by Osborne and Gaebler in their book. State and local governments have also initiated reinvention and reengineering efforts for a wide range of public services.

### ***REINVENTING GOVERNMENT PRINCIPLES***

- CATALYTIC GOVERNMENT: STEERING RATHER THAN ROWING
- COMMUNITY-OWNED GOVERNMENT: EMPOWERING RATHER THAN SERVING
- COMPETITIVE GOVERNMENT: INJECTING COMPETITION INTO SERVICE DELIVERY

- MISSION-DRIVEN GOVERNMENT: TRANSFORMING RULE-DRIVEN ORGANIZATIONS
- RESULTS-ORIENTED GOVERNMENT: FUNDING OUTCOMES, NOT INPUTS
- CUSTOMER-DRIVEN GOVERNMENT: MEETING THE NEEDS OF THE CUSTOMER, NOT THE BUREAUCRACY
- ENTERPRISING GOVERNMENT: EARNING RATHER THAN SPENDING
- ANTICIPATORY GOVERNMENT: PREVENTION RATHER THAN CURE
- DECENTRALIZED GOVERNMENT: FROM HIERARCHY TO PARTICIPATION TO TEAMWORK
- MARKET-ORIENTED GOVERNMENT: LEVERAGING CHANGE THROUGH THE MARKET

\*David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector from Schoolhouse to Statehouse, City Hall to the Pentagon* (Addison-Wesley Publishing Co., 1992).

While the labels for these organizational redesign efforts may vary, they are all part of a larger movement in transforming the way the public sector does business. This quality movement draws from a number of sources, not the least of which are the ideas of W. Edwards Deming. Deming taught Japanese business leaders how to rebuild their economy after World War II and helped U.S. businesses regain their competitiveness during the 1980s. Deming's philosophy and organizational approaches have slowly crept into federal, state, and local governments during the eighties and nineties and inspired more ambitious strategies to reform government.

### ***W. EDWARDS DEMING'S THEORY FOR MANAGEMENT***

- CREATE CONSTANCY OF PURPOSE TOWARD IMPROVEMENT OF PRODUCT AND SERVICE.
- ADOPT THE NEW PHILOSOPHY OF LEADERSHIP FOR CHANGE.
- CEASE DEPENDENCE ON MASS INSPECTION.
- END THE PRACTICE OF AWARDED BUSINESS ON THE BASIS OF THE PRICE TAG.
- IMPROVE THE SYSTEM CONSTANTLY AND FOREVER.
- INSTITUTE TRAINING ON THE JOB.
- INSTITUTE LEADERSHIP TO HELP PEOPLE AND MACHINES DO A BETTER JOB.
- DRIVE OUT FEAR, SO THAT EVERY ONE MAY WORK EFFECTIVELY.
- BREAK DOWN BARRIERS BETWEEN DEPARTMENTS.
- ELIMINATE SLOGANS, EXHORTATIONS, AND TARGETS.
- ELIMINATE WORK STANDARDS.
- REMOVE BARRIERS TO PRIDE IN WORKMANSHIP.
- INSTITUTE A VIGOROUS PROGRAM OF EDUCATION AND SELF-IMPROVEMENT.
- PUT EVERYBODY TO WORK TO ACCOMPLISH THE TRANSFORMATION.

## IV. TEN EMERGING PRINCIPLES IN ECONOMIC DEVELOPMENT

The fundamental purpose of economic development policy should be to increase productivity so as to bring economic benefits to an area. Given this purpose, the ten emerging principles provide a framework for improving performance in economic development efforts.

The ten principles fall within four general categories:

**Goals:** the underlying purpose of economic development efforts

**Scope:** the outlook guiding your work

**Organization:** the scale or structure of your efforts

**Process:** the management of program activities

### GOALS: WHAT ARE THE GOALS OF YOUR ECONOMIC DEVELOPMENT EFFORTS?

#### COMPETITIVENESS

- *Have you identified the competitive advantages and disadvantages of your area?*
- *How do you provide information or market your area to prospective or existing businesses that are considering location or expansion in your area?*

Developing and sustaining a vibrant economy requires thinking competitively. Creating a competitive advantage is based on making the most effective use of the human, natural, and institutional resources of an economic region. Understanding these competitive advantages as well as the disadvantages of a region is a critical first step in designing an economic development strategy.

What does it mean for an area to be competitive? Michael Porter, who has examined the competitive advantage of nations, says that "the only meaningful concept of competitiveness at the national level is national productivity." To be competitive, Porter continues, "a nation's firms must relentlessly improve productivity in existing industries by raising product quality, adding desirable features, improving product technology, or boosting product quality" (1990, p. 6). For a state or region, competitiveness means creating and sustaining an environment for business growth and economic prosperity that offers long-term, good-paying job opportunities for citizens. Being competitive requires an understanding of the special characteristics of an area that have contributed to past industry success, how these characteristics are changing, and how important or unimportant they may be in the future.

Several states have set up competitiveness councils to examine their states' strengths and weaknesses and to identify opportunities and strategies for becoming more competitive. The Indiana Economic Development Council is an independent, nonprofit council whose goal is to enhance and stimulate Indiana's competitiveness. This organization has helped to shape and guide the state's economic development policies since 1985. Oregon undertook a broad-based study of its competitiveness in 1989 and produced a landmark report called Oregon Shines. This

report set the stage for a fundamentally new approach to economic development policy based on outcomes and market-based strategies.

In 1993, the Commonwealth of Massachusetts issued a comprehensive long-term economic development blueprint for the state. The report suggests that competitiveness is a "bottom-up" phenomenon. In the context of their strategy, competitiveness refers "both to the ability of each individual firm to succeed in the markets it serves and to the capacity of the business environment offered by the state to foster and support the growth of competitive firms" (Massachusetts Executive Office of Economic Affairs et al. 1993, pp. 1-2).

Being competitive also requires marketing the advantages of an area, both those that are inherent (labor force, natural resources, geographical location) and those that are created (tax structures, worker training efforts, capital access funds, infrastructure). In some cases these marketing efforts may provide critical information that businesses need in making location or expansion decisions. In addition, the marketing efforts of an economic development effort can produce feedback about public policies, regulations, programs, and service delivery, all of which may affect the competitiveness of an area. Most of what goes into a business location decision may be economic and cost factors that are beyond the reach of public policy. Understanding and addressing business perceptions and real concerns, however, may affect marginal decisions. These decisions may be particularly important in the case of rapidly expanding businesses.

Several southern states have created "state of the art" marketing centers to showcase their states' competitive advantages and provide up-to-date information on communities and potential business sites. These are usually funded by utilities and run cooperatively with public economic development agencies. An example is the Mississippi Resource Center. Marketing may be as basic, however, as providing a fact book with basic information on the state and comparisons with other areas. An example is Compare Minnesota, an economic and statistical fact book prepared biennially by the Minnesota Department of Trade and Economic Development (1995).

## **EQUITY**

- *How do you address disparities among areas within your state or region?*
- *To what extent do you address the problems of the economically disadvantaged in your area?*
- *How do you improve the productivity or long-term economic viability of disadvantaged areas or populations?*

Communities need to be concerned about the distribution of economic benefits. Economic development efforts should be focused on improving the productive capacity of those areas and populations that are most disadvantaged and in need of assistance.

## **WHAT IS THE NEW ECONOMY?**

- MARKETS ARE GOING GLOBAL.
- ORGANIZATIONS ARE GOING HORIZONTAL.
- DECISIONS ARE GOING LOCAL.
- PEOPLE ARE GOING FLEXIBLE.
- ECONOMIC DEVELOPERS ARE GOING ALL OUT.

- GOVERNMENT'S ROLE IN GROWTH:
- GOVERNMENT MUST ADDRESS THE RIGHT QUESTIONS:
- WHAT CAN THE PRIVATE SECTOR DO FOR ITSELF?
- WHAT CAN GOVERNMENT DO TO CORRECT FOR GAPS IN PRIVATE MARKETS?
- WHAT CAN GOVERNMENT DO WELL TO SUSTAIN PRIVATE MARKETS?
- THE LOCUS OF ECONOMIC DECISION-MAKING MUST SHIFT TO SUBSTATE LEVELS.
- GOVERNMENT MUST ALSO BECOME "LEAN."
- IN THE NEW ECONOMY, A RISING TIDE WILL NOT NECESSARILY "RAISE ALL SHIPS." INCOME DISTRIBUTION IS BIFURCATING. SPECIAL ATTENTION MUST BE GIVEN TO THE ECONOMICALLY DISENFRANCHISED, PARTICULARLY TO ACCESS ACCESS TO EDUCATION AND TRAINING, ACCESS TO ACQUIRING MARKETABLE SKILLS, ACCESS TO CAPITAL FOR START-UP BUSINESSES, ACCESS TO JOBS THROUGH EASE OF MOBILITY.

\*Graham S. Toft, President, Indiana Economic Development Council, Inc., "State and Local Economic Development Strategy: Getting Ahead of the Curve." Speaking notes of seminar presented at the Hubert H. Humphrey Institute of Public Affairs, November 12, 1993, Minneapolis, Minn.

Underlying most economic efforts is the desire to help distressed economic areas, such as rural communities that have suffered from the loss of agricultural and resource-based jobs, or to help populations that are unemployed or underemployed, such as African American males in urban areas. Economic development funds are frequently targeted to areas or groups of people who are economically disadvantaged or suffering from the results of economic change. For example, the programs of the Economic Development Administration are targeted to chronically distressed regions, which are largely rural areas, and urban areas suffering from the effects of defense cutbacks and other economic dislocations. State initiatives in several states emphasize rural development and encourage economic and community development in urban centers that have suffered most from economic changes.

Increasingly, public officials and citizens have looked to economic development as a solution to ensure that benefits of economic activity are shared equitably. Yet economic development professionals are wary of just how much they can contribute in this area. In our pilot tests of these ten emerging principles with state and regional development groups, the principle of equity generated the most disagreement. Some economic development officials felt it was totally inappropriate to have a goal of equity in an economic development strategy. Others applauded the inclusion of equity as a principle and felt that it is too frequently overlooked in setting priorities for economic development.

Timothy Bartik argues that one way economic development programs can increase productivity is by reducing unemployment in high unemployment areas (1991, p. 201). The question is how to do this and whether public economic development policies can make a difference. It is important to make the equity goals of an economic development strategy explicit and evaluate the success of strategies to address economically disadvantaged areas or populations.

An example of an organization that applies the principle of equity in its economic development efforts is Maine's Coastal Enterprises, Inc. Since 1977, Coastal Enterprises, a private, nonprofit community development corporation, has directed economic and human resources to help Maine residents with low incomes reach an adequate and equitable standard of living, working, and learning. The organization draws on public and private resources to provide financial and technical assistance for business development, housing, and social services; to support innovative projects that address the needs of individuals, families, and communities; to create social and economic opportunities for individuals and families at risk of poverty; and to engage in research and policy development.

The Minnesota-based McKnight Foundation established six regional initiative funds in the mid-1980s to stimulate development in economically distressed rural areas of Minnesota. Recently, the foundation also started an urban initiative fund to encourage development in distressed urban areas.

## **SCOPE: BEING COMPETITIVE REQUIRES THINKING BEYOND TRADITIONAL ECONOMIC DEVELOPMENT CONVERNS.**

### **GLOBAL ECONOMY**

- *Have you assessed your area's competitive advantages and disadvantages in the global marketplace?*
- *How do you encourage businesses to take advantage of international opportunities?*
- *What are the barriers for businesses to entering the international marketplace and how do you address them?*
- *How do your infrastructure, work force, and other investments contribute to your global competitiveness?*

With the increasingly global economy, a key role for economic development organizations is helping businesses make the transition from targeting domestic markets to taking advantage of international opportunities.

During the 1980s, most state governments recognized the importance of international trade by creating or expanding state trade offices. These offices courted direct foreign investment, offered financial and technical assistance to small and medium-sized businesses to help them in entering export markets, and provided trade leads, among other services. In addition, state export agencies frequently set up overseas offices to establish linkages with foreign markets. With nearly a decade of experience with state-run international trade programs and increasing sophistication about international markets by U.S. companies, these programs are entering a different level. For example, the International Trade Division of the Oregon Economic Development Department (OEDD) is now formally contracting with firms to assist them in entering foreign markets. These contracts specify the department's and firms' objectives in working together, set forth the department's responsibilities to assist the firms, and require the firms to report their international sales to the OEDD (Cortright 1994, p. 10).

The state of Wisconsin has sought to make its international trade services more accessible and user-friendly through a 1-800 number. The number, 1-800 EXPORT WIsconsin, is cosponsored

by seven utility companies and staffed by Wisconsin Department of Economic Development employees, who provide on-phone and follow-up support.

Operating in a global environment requires changes in the way private firms and governments do business. To sell in international markets, companies must now comply with international quality standards known as ISO 9000 in Europe and, increasingly, in other nations as well. Minnesota technical colleges, which are spread throughout the state, are offering ISO 9000 training for small businesses. This training is important not only for those companies that are selling directly to foreign markets, but also for companies that are suppliers to globally competitive larger U.S. companies.

Infrastructure investments, work force training, and educational priorities should be considered in increasing global competitiveness. State transportation agencies and metropolitan planning organizations are beginning to examine the relationship of transportation investments in highways, transit, rail, air, and water infrastructure to economic development as a result of the federal Intermodal Surface Transportation Efficiency Act of 1991. This historic act shifts much more responsibility to states and regions for setting investment priorities for infrastructure investment and encourages economic efficiency or productivity as the basis for making such investments.

Changes resulting from federal law and state policies offer state and local economic development organizations an opportunity to work with other state and regional policymakers to encourage public investments that increase productivity and contribute to global competitiveness.

### **COMPREHENSIVE STRATEGY**

- *Do you have a comprehensive economic strategy for your state or region?*
- *Do you have specific goals and action plans for each of the areas that affect your economic foundations work force, physical infrastructure, natural resources, knowledge and technology, enterprise development, fiscal stability, and quality of life?*
- *To what degree are these efforts in alignment?*

Issues of education, housing, health care, transportation, and general quality of life have important contributions to make to the economic health of an area. The connection between community development and economic development cannot be ignored in an era when many of the issues of social welfare ultimately come to rest on the shoulders of economic opportunity. Infrastructure now means human as well as physical capital. We are growing increasingly aware of the systems and interrelationships that link our activities rather than divide them into separate corners.

In 1986, the Committee for Economic Development (CED) issued a report entitled Leadership for Dynamic State Economies. The report changed the way many economic development professionals thought about their job by recommending that state policymakers consider all aspects of public policy in designing a state economic strategy. The report suggests seven areas that affect a state's economic foundations work force, physical infrastructure, natural resources, knowledge and technology, enterprise development, fiscal stability, and quality of life and

recommends that states conduct a diagnosis of their strengths and weaknesses, develop a vision, and implement an action plan taking into account these seven foundations.

### ***ECONOMIC FOUNDATIONS***

- 1. A CAPABLE AND MOTIVATED WORK FORCE** that is well educated and supported by a human resource system that facilitates and assists in finding employment.
- 2. SOUND PHYSICAL INFRASTRUCTURE**, including transportation, communications, energy, supply and waste management.
- 3. WELL-MANAGED NATURAL RESOURCES** for current and future use and development.
- 4. UNIVERSITIES AND OTHER RESEARCH AND DEVELOPMENT INSTITUTIONS** that are involved in the development, dissemination and market application of knowledge and technology.
- 5. A SYSTEM OF REGULATION, CAPITAL, AND TECHNICAL ASSISTANCE** that encourages enterprise development.
- 6. A QUALITY OF LIFE** that is attractive to employees and their families.
- 7. FISCAL STABILITY** characterized by reasonable tax rates and prudent spending policy.

\*Committee for Economic Development, *Leadership for Dynamic State Economies* (New York: Committee for Economic Development, 1986) pp. 31-32.

The comprehensive approach recommended in the CED report allows states to get out of the narrow box of traditional economic development incentive programs and take a broader-based approach to making investments to increase economic competitiveness.<sup>1</sup>

Several states have undertaken comprehensive assessments of their economic competitiveness as a basis for their economic strategies. The Massachusetts strategy report referred to earlier is a good example. The state action plan covers areas of taxes, regulations, and government-affected business costs, as well as transportation and communications infrastructure, work force education and training, and university and research sector innovations. This more comprehensive approach to economic development is also reflected in the economic development strategies of Oregon, Indiana, and Minnesota, among other states.

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<sup>1</sup> Since 1991, Lee Munnich, author of this report, has conducted a State Economic Strategy Workshop as a credit course for Humphrey Institute graduate students. Each student team is assigned to a different state and develops a state economic strategy using the approach recommended in the CED report. State economic development agencies provide information and assistance to the student teams and evaluate their final reports. State economic strategy reports have been developed for Connecticut, Iowa, Minnesota, Mississippi, Montana, Ohio, Texas, Wisconsin, and Wyoming.



## **ORGANIZATION: INSOFAR AS POSSIBLE, ECONOMIC DEVELOPMENT EFFORTS SHOULD BE WHOLESALE, NOT RETAIL.**

### **REGIONAL COLLABORATION**

- *To what extent is your economic development strategy regionally based (either by substate regions or economic regions that cross state or international borders)?*
- *What is the level of cooperation and collaboration among economic development organizations within your region?*
- *How do you make the most effective use of resources within your region?*

The strength of a single local economy depends on the economic strength of surrounding areas. Economic strategies need to achieve economies of scale by being directed to regional areas. During the past decade there has been an increasing emphasis among economic development professionals on regional strategies. Substate regional planning organizations are becoming more important in a range of policy areas, including transportation, social services, and economic development. While competition for business development among local governments continues, there is an increasing awareness that regional cooperation may be a more effective approach in the long run.

Minnesota has seen a resurgence of substate regional groups after a decline in the 1970s and early 1980s. Several factors have contributed to this resurgence: economic dislocations in rural areas, which have encouraged agricultural areas in southwestern Minnesota and mining areas in northeastern Minnesota to band together; creation and continued support of regional initiative funds by the McKnight Foundation; shrinkage of federal and state categorical funds, which has forced regions to work together in setting priorities; federal legislation, such as the Intermodal Surface Transportation Efficiency Act, which transfers greater authority to metropolitan planning organizations in setting priorities for transportation funding; and state legislation, which increases the responsibilities of the Metropolitan Council to include operating as well as planning functions. Regionalization is occurring as a result of both top-down actions and bottom-up recognition by local areas that regional cooperation makes sense.

Several states have incorporated a regional approach in the organization of their economic development activities. Oregon and Massachusetts have both tailored their economic development strategies to a substate regional approach. Massachusetts' plan calls for regional offices that can provide access on a "one-stop shopping" basis to Commonwealth agencies and services that are relevant to business growth.

Another trend in regional cooperation has been collaboration across state and even international boundaries. One example of multistate-province regional cooperation is the Red River Trade Corridor, which involves the states of Minnesota and North Dakota and the Canadian province of Manitoba. The Red River Trade Corridor Council works with regional businesses and existing organizations, networks, and institutions to increase trade within the region and between the region and the rest of the world.

Another example is the Pacific NorthWest Economic Region, which includes the states of Alaska, Idaho, Montana, Oregon, and Washington and the provinces of Alberta and British

Columbia. The focus areas for this regional organization are marketing environmental technology and services, building a global tourism market, adding value to regional forest resources, developing new markets for regional recycling, training world-class workers, and using telecommunications to link institutions of higher learning.

One benefit of increased cooperation across state boundaries may be a reduction in zero-sum-game competition for businesses among states. In the past, compacts between states to avoid raiding each other's businesses have been generally unsuccessful. A regional economic development strategy that covers a range of public policy issues and is based on cooperation and collaboration may increase the potential to reduce this type of nonproductive competition.

### **INDUSTRIAL FOCUS**

- *Have you identified and do you regularly track the progress of key industry sectors or clusters in your area?*
- *Have you organized your economic development activities to understand industry linkages and support industry clusters?*

Rather than targeting individual firms or businesses, economic development agencies should focus on supporting clusters of industries that are well-suited to an area. A clearer understanding of supplier-producer relationships can assist government in its efforts to boost the economic base and productivity levels of the region.

Michael Porter in his book *The Competitive Advantage of Nations* (1990) suggests that to find answers on the competitiveness of nations, you must focus on specific industries and industry segments. This understanding of industry clusters can be critical in making effective public policy decisions in such areas as education and training, science and technology, and infrastructure investment. Similarly, such an understanding of industry clusters can help in shaping and implementing a state or local economic development strategy. Porter proposes four key determinants of competitiveness, which he calls the "Diamond of Advantage," based on cases from around the world.

### ***MICHAEL PORTER'S DIAMOND OF ADVANTAGE***

1. **FACTOR CONDITIONS:** a specialized labor pool, specialized infrastructure and sometimes, selective disadvantages that drive innovation.
2. **HOME DEMAND:** local customers who push companies to innovate, especially if their tastes or needs anticipate global demand.
3. **RELATED AND SUPPORTING INDUSTRIES:** competition among local suppliers for related industries, creating a high quality, supportive business infrastructure and spurring innovation and spin-off industries.
4. **INDUSTRY STRATEGY /RIVALRY:** intense local rivalry among local industries that is more motivating than foreign competition and a local "culture" which influences individual industries' attitudes toward innovation and competition.

\*Michael E. Porter, *The Competitive Advantage of Nations* (New York: The Free Press, 1990).

Several states and regions have used or are using the Porter approach in examining industries, assessing public policies, and redefining economic development strategies. These include the states of Massachusetts, California, and Minnesota.

Oregon has organized its economic development strategy to focus on key industries. Oregon Shines, the state's 1989 strategic planning document that set the stage for major redesign of economic development funding and programs, emphasized the importance of promoting Oregon's key industries. The Oregon legislature adopted a list of thirteen key industries in 1991 and directed the state economic development department to work with these industries to promote the state economy. The Oregon Key Industries program is not a recruitment program but a commitment to help industry groups work together to become more competitive. The program brings together key industry leaders in roundtables to discuss competitive problems and opportunities; it also promotes flexible networks of businesses to develop new markets, produce new products, and increase profits through network brokers and small matching grants.

## **PROCESS: HOW YOU IMPLEMENT AN ECONOMIC DEVELOPMENT STRATEGY CAN BE AS IMPORTANT AS WHAT YOU DO.**

### **CUSTOMER ORIENTATION**

- *Have you identified the customers of your economic development efforts (businesses, communities, citizens, et cetera)?*
- *How do you ensure that your programs meet your customers' needs and expectations?*
- *How do you use input from your customers to improve your strategy and programs?*

To be successful, an economic development effort must define and meet the needs of those it is designed to serve. The quality movement, stimulated by the philosophical and practical leadership of W. Edwards Deming, is transforming the way in which a wide range of private and public organizations do business. During the late 1980s, the U.S. Department of Commerce developed the Malcolm Baldrige Award to recognize United States companies that achieved high standards of quality. This award is now being applied in several states, and governmental and educational organizations are now using the Baldrige criteria in assessing their performance. Central to the quality improvement approach advocated by Deming and contained in the Baldrige criteria is knowing who your customers are, their expectations, how well you meet those expectations, and how to use feedback from customers to improve products and services.

### **BALDRIGE AWARD CORE VALUES AND CONCEPTS**

**CUSTOMER-DRIVEN QUALITY:** the organization must develop and use methods and ideas that contribute to customer satisfaction.

**LEADERSHIP:** leaders must play an active role in creating strategies, systems and methods for achieving excellence and they must reinforce quality values and communicate high expectations.

**CONTINUOUS IMPROVEMENT:** the organization must demonstrate its commitment of ongoing improvement by taking such steps as cutting waste, improving customer responsiveness, increasing productivity and providing enhanced value through new and improved goods and services.

**FULL PARTICIPATION:** the firm must have reward and recognition systems that encourage full employee participation in the total quality management effort. Examples include education and training programs that impart skills for improving work quality and solving job-related problems, empowerment, and on-the-job employee training.

**RAPID RESPONSE:** the company must offer examples of response-time improvement, such as reduced product and service introduction cycles, faster responses to customer problems and reduction in cycle time.

**DESIGN, QUALITY, AND PREVENTION:** the company must clearly indicate that quality is being built into its products and services, as well as into its production processes. This quality is often reflected in reduced waste and elimination of costs.

**LONG-RANGE OUTLOOK:** the company's strategies, plans and resource allocations should reflect a forward-thinking orientation and long-term commitment to customers, employees, stakeholders and suppliers. Companies must regularly review and assess their progress in carrying out long-term plans.

**MANAGEMENT BY FACT:** the company must use facts and data to illustrate its progress toward quality and performance goals. Such facts include information related to customers, products and services performance records, operation records and competitive comparison.

**PARTNERSHIP DEVELOPMENT:** the firm should promote internal and external partnerships. For example, it should encourage labor agreements with unions, cooperate with customers and suppliers and develop relationships with educational organizations.

**PUBLIC RESPONSIBILITY:** the company should address general business and community concerns. For example, it should share quality-related information with others, reduce the effect of product waste on the environment, and plan for adverse contingencies such as product defects or recalls.

\*Richard M. Hodgetts, Blueprints for Continuous Improvement: Lessons for the Baldrige Winners, AMA Management Briefing (New York: American Management Association, 1993) pp 13-14.

## ***PRINCIPLES FOR A CUSTOMER-DRIVEN INDUSTRIAL SERVICES MODEL OF ECONOMIC DEVELOPMENT***

- SUBSTANTIALLY REDUCE FUNDING FOR INDUSTRIAL RECRUITMENT AND BUSINESS INCENTIVES.
- INSTEAD, PROVIDE REAL SERVICES (E.G., TECHNOLOGY, TRAINING, AND MARKET DEVELOPMENT) TO FIRMS THAT DIRECTLY IMPROVE THEIR ABILITY TO COMPETE IN GLOBAL MARKETS.
- TARGET ASSISTANCE TO MANUFACTURING AND TECHNOLOGICALLY-BASED SERVICE INDUSTRIES.
- ESTABLISH ORGANIZATIONS THAT RESPOND TO CUSTOMER NEEDS (OFTEN NONPROFIT, PRIVATELY RUN ORGANIZATIONS).
- PROVIDE MOST NEEDED SERVICES IN ONE ORGANIZATION.
- WHEN POSSIBLE, ORGANIZE ASSISTANCE AROUND REGIONS AND INDUSTRY SECTORS.

- MAKE SERVICE DELIVERY CONTINGENT ON THE FIRM MOVING IN NEW DIRECTIONS.
- MEASURE SUCCESS BY INCREASES IN FIRM COMPETITIVENESS (E.G., SALES AND MARKET SHARE).

\*Robert D. Atkinson, U.S. Office of Technology Assessment. Presentation published in State and Local Economic Development Strategy Summit, Lee W. Munnich, Jr., project director (Minneapolis: State and Local Policy Program, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota, 1995).

Primary customers of economic development programs are businesses. It is important for economic development organizations to have good feedback mechanisms to determine how well economic development efforts are addressing business problems and improving economic competitiveness. Customer feedback may be based on regular surveys, interviews, focus groups, or other approaches. Economic development agencies may also serve other customers, such as communities and tourists who visit the area, as well as citizens who derive the ultimate benefit of economic development programs in terms of jobs and income. Customer feedback on service quality and program impacts can also be important in shaping and continually improving economic development strategies and programs.

In 1988, the Minnesota Department of Trade and Economic Development initiated a performance monitoring system to obtain regular customer feedback to improve economic development programs. The Urban Institute, with funding from the Economic Development Administration, foundations, and state government, developed the approach and system for Minnesota. Customer surveys include questions that cover service quality; intermediate outcomes, such as foreign trade contacts; and final outcomes, such as jobs created or increased foreign sales. The performance monitoring approach started with five department programs serving business and community customers and since has been expanded to all department programs. The surveys are now used regularly for gathering customer information on the performance of the Small Business Development Centers, which are funded by the Small Business Administration and managed by the state economic development department.

## **PARTNERSHIPS**

- *What partnerships have you formed to encourage economic development in your area (public/private, among businesses, among government agencies, with nonprofits and community organizations)?*
- *How do you maintain and ensure the effectiveness of these partnerships?*
- *Do you use partnerships to combine resources (more than information sharing and networking)?*
- *How do you leverage your resources?*

Partnerships are an effective tool toward developing a common ground or set of priorities for economic development. A strong economy is not the responsibility of one, but of all. Economic development agencies need to work closely with other partners, such as businesses, nonprofits, and community organizations, to develop a path toward the future.

Increasingly, economic development professionals are recognizing that partnerships among a wide range of organizations are critical for a successful economic development strategy. An example of how partnerships are being encouraged nationally is the National Rural Development Partnership. The partnership was established through a presidential initiative in 1990 to promote greater collaboration in rural development. The "partners" are representatives from federal agencies, state governments, local governments, tribal councils, and private sector organizations. A national council brings together senior program managers from over forty federal agencies to improve the delivery of federal resources for rural development. State-level councils in thirty-seven states serve as forums for developing strategic responses to state rural needs. The National Rural Development Partnership has become an important mechanism in crossing organizational boundaries to address rural problems.

Partnerships are also emerging at the regional level. An example of a successful regional economic partnership is the Arrowhead Growth Alliance. The Arrowhead region of northeastern Minnesota includes the city of Duluth, the Iron Range, and the Boundary Waters Canoe Area, and is known for fierce competition among communities and turf battles for economic development. The Arrowhead Growth Alliance was formed in 1988 to bring together all regional economic development groups to focus on economic development issues. The group is an informal alliance and decides at the end of each meeting whether it should meet again. There is no defined structure, no officers, no budget, and no stationery. The regional focus and the continuity of membership help to develop trust and provide the thread that keeps the group together.

## **MEASUREMENT AND EVALUATION**

- *Have you identified and do you measure desired economic outcomes for your area?*
- *How do you measure the success of your economic development efforts?*
- *How do you evaluate your economic development efforts and ensure accountability?*
- *Do you regularly assess the performance of your efforts against the goals you set?*

A high performance organization collects information about its performance in order to assess the impact of its work and evaluate the strengths and weaknesses of its services. Measurement is also a prerequisite for accountability.

State and local economic development organizations, however, have not done a good job of measuring and evaluating the impacts of their programs. One of the reasons is that it is very difficult and costly to conduct a statistically valid evaluation. Another reason is that there is no incentive or reward for development agencies to invest in such measurement and evaluation. In the past few years, at the urging of governors and legislatures in several states, there has been some progress, though slight, toward accountability for economic development programs through measurement and evaluation. At this time, there are only a few models to use as examples. These examples illustrate different approaches toward measurement.

## **CHARACTERISTICS OF AN EFFECTIVE STATE STRATEGY**

- FOCUSING ON SPECIFIC POLICY OUTCOMES
- INVESTING IN KEY ECONOMIC FOUNDATIONS, SUCH AS HUMAN RESOURCES AND PHYSICAL INFRASTRUCTURE
- PREVENTING PROBLEMS FROM ARISING WHICH LATER WILL COST EVEN MORE TO REMEDY
- ACHIEVING APPROPRIATE SCALE IN ACTION TO PRODUCE REAL IMPACT
- DECENTRALIZING RESPONSIBILITY TO THOSE CLOSEST TO THE ACTION
- LEVERAGING MINIMUM PUBLIC RESOURCES TO PROMOTE PRIVATE INVESTMENT
- USING MARKET MECHANISMS WHERE APPROPRIATE TO ENHANCE PERFORMANCE
- ASSESSING PERFORMANCE AND INSISTING ON ACCOUNTABILITY

\*R. Scott Fosler, "The Emerging Economic Paradigm: States Ride the 'Third Wave'." Paper presented at the National Conference of State Legislatures Annual Meeting, August 11-15, 1991, Orlando, Fla.

### **MEASURING STATE PERFORMANCE**

The state of Oregon has developed a set of benchmarks that measure the state's performance in achieving statewide goals related to people, quality of life, and the state economy. The most recent report contains 259 benchmarks that are used to compare Oregon's performance with other states and countries. The Oregon Progress Board, created to serve as the "caretaker" of the state's strategic plan, oversees the selection and updating of benchmarks and the collection, analysis, and reporting of benchmark data. The benchmarks have been widely endorsed throughout the state and have been used extensively for planning and evaluation purposes. Benchmarks have been incorporated into state program and budget priorities, applied to state strategic planning efforts, used by legislators to hold agencies accountable for performance, and adopted by local governments and nonprofits in setting their own priorities. While other states have adopted the Oregon approach to measuring state performance, none have implemented as complete a system as Oregon, nor integrated this information as thoroughly into the legislative and policy-making process.

### **MONITORING PROGRAM PERFORMANCE**

Another approach to measurement is to assess performance at the program level. The Minnesota Department of Trade and Economic Development (DTED) uses a performance monitoring system to survey business and community customers to determine how well economic development programs are serving them and what impacts the programs have on jobs, sales, or other performance measures. These surveys are conducted periodically to allow comparison over time and to determine whether program improvements or changes in service delivery are making a difference. Program managers use the data to assess progress and make improvements in their programs, and the department uses the data in assessing the impact of its program. In 1994, all Minnesota state departments were required to prepare extensive performance reports as part of the budgeting process. DTED used the data from its ongoing performance monitoring system to prepare its comprehensive report.

## **LESSONS LEARNED FROM OUR EXPERIENCE WITH STATE AND LOCAL ECONOMIC DEVELOPMENT PROGRAMS**

- LABOR DEMAND MATTERS.
- TAX SUBSIDIES CAN HELP, BUT MAY BE RELATIVELY EXPENSIVE PER JOB.
- ECONOMIC DEVELOPMENT SERVICES TO SMALL AND MEDIUM-SIZED BUSINESSES CAN WORK.
- REASONABLE QUALITY EVALUATIONS OF ECONOMIC DEVELOPMENT PROGRAMS ARE FEASIBLE.
- IT MAKES SENSE TO REFORM ECONOMIC DEVELOPMENT PROGRAMS IN THE GENERAL DIRECTION OF "THIRD WAVE" PROGRAMS THAT IS, TOWARD MORE MODEST SUBSIDIES FOR QUASI-PRIVATE ECONOMIC DEVELOPMENT SERVICE PROVIDERS.
- A STRONG LOCAL INFLUENCE OVER THE MANAGEMENT AND DESIGN OF ECONOMIC DEVELOPMENT POLICIES IS DESIRABLE.
- THERE ARE SOME PROMISING EXPERIMENTS IN USING ECONOMIC DEVELOPMENT SUBSIDIES TO ENCOURAGE EMPLOYERS TO HIRE DISADVANTAGED PERSONS, BUT MOST ECONOMIC DEVELOPMENT OFFICIALS WILL NOT INITIATE SUCH POLICIES ON THEIR OWN.

\*Timothy J. Bartik, Upjohn Institute, Kalamazoo, Mich., "What Should the Federal Government Be Doing About Urban Economic Development?" Paper presented at the Regional Growth and Community Development Conference, November 18, 1993, Washington, D.C., pp. 12-22.

### **EVALUATING PROGRAMS**

Program evaluation, for the most part, is the missing link in economic development programs. Timothy Bartik, an economist with the Upjohn Institute, has written periodically about the need for evaluation of economic development programs and why it doesn't occur. Bartik suggests that two types of improved evaluation methods are needed (1993, pp. 29-30). The first type is an evaluation methodology that is relatively inexpensive and can be used now and on an ongoing basis to improve performance of state and local economic development programs. Surveys of business clients, such as that used by Minnesota's DTED, seem to be the most feasible inexpensive evaluation approach. Bartik suggests standards for how survey questions should be asked and how surveys should be administered to ensure reasonably objective information. The Urban Institute, which assisted Minnesota in its pilot project, has begun to address some of these issues.

A second type of evaluation is also needed, according to Bartik. He argues that we need a long-term effort to develop rigorous evaluation methodologies that would accurately estimate the impact of economic development programs on a firm's performance. Such rigorous evaluations would compare assisted and unassisted firms and should be designed to control for statistical selection bias. Bartik suggests that such evaluation approaches should be developed cooperatively by federal agencies and state and local economic development officials. Federal agencies that should be involved are the Department of Housing and Urban Development, the



Economic Development Administration, the Small Business Administration, the National Institute for Science and Technology, and the Department of Labor.

## **LEARNING**

- *Do you seek a wide range of input, both internally and externally, on how to improve your economic development strategies, programs, and delivery?*
- *Are you flexible enough to make improvements based on what you learn?*
- *Do you compare your economic development efforts with models in other areas?*
- *How do you use information you collect to improve your economic development programs?*

Organizations must continually work to improve performance. It is important to (1) constantly bring new information from outside sources and continually develop learning tools through data that are collected internally and (2) be willing and able to redirect efforts on the basis of this information, whether it is related to the performance of the organization or to new trends in the economy.

Learning is closely tied to measurement and evaluation, but represents a separate activity; that is, how do you use information from a variety of sources to improve the effectiveness of economic development programs? The pace of economic change requires the organizational ability to use internal and external data to learn and continually improve programs and strategies.

The Minnesota Department of Trade and Economic Development has developed a system of tracking business activity using data from quarterly employer reports under the state's reemployment insurance program, also known as ES-202 data. With the assistance of the state's Department of Economic Security, which collects the employer data, DTED prepares a quarterly business tracking report. The report records the number of births, dissolutions, expansions, and contractions of business establishments, and the effect of these activities on jobs in the state and for subregions of the state.

DTED also surveys businesses that have ceased operations in the state, including those that have moved out of the state, to determine the cause of those dissolutions or relocations. The data from the business tracking system are used to understand what industries are growing or declining and where job creation is occurring, and to help the state understand what can be done to retain companies.

The city of Littleton, Colorado, has undertaken a unique approach to economic development. Littleton refers to their New Economy Project as "Colorado's Experiment in Economic Gardening." Components of the Littleton effort include seminars on best ideas and practices, on topics such as customer service, temperament, total quality management, systems thinking, and strategy building; the use of online computer databases, CD-ROMs, and the Internet to assist staff in finding, within hours, information and solutions to most business problems; and a focus on long-term community building, including how to build the intellectual infrastructure that companies of the future will need. Each year Littleton prepares a status report on the New Economy Project that includes lessons learned and the results of experiments conducted during the year.

## **V. CONDUCTING A STRATEGY ASSESSMENT**

The ten emerging principles in economic development apply to states as well as to regions and local areas. To test these principles as a tool for self-assessment, the Humphrey Institute's State and Local Policy Program staff conducted interviews with state economic development professionals and focus groups with community leaders in substate regions. Seven states Connecticut, Hawaii, Indiana, Mississippi, Oregon, Texas, and Virginia participated in a pilot test of the self-assessment tool through phone interviews. Focus groups were conducted with five regional development organizations in Minnesota.

The state interviews were conducted with state economic development professionals who were knowledgeable about state development policies, programs, and practices. During the interviews, state representatives were asked to identify programs or activities in their states that illustrate each of the ten principles, opportunities where each principle could be implemented, the barriers or constraints to implementation, and action steps to implement the approach.

State development professionals found the ten principles a useful approach for examining their economic development strategies. The technique allowed them to look at their programs in new ways. Some commented that it was a good planning tool and framework for looking at what states need to do in the future. The approach helps to shape a shared vision of economic development, allowing states to learn from others and share results. Most agreed with the principles, although there was some disagreement over whether equity should be a principle in an economic development strategy.

Some state professionals felt the assessment tool did not address the political environment that causes swings in economic development policies with new administrations and new political actors after each election. Several expressed frustration with both the measurement and evaluation principle and the learning principle.

Regional focus groups were organized through regional development commissions (RDCs) in Minnesota. These organizations are multicounty groups that are designated by state legislation. They are responsible for regional planning and development. The RDCs receive federal economic development funds, which are used to prepare annual economic development plans. Each RDC invited a small group of regional leaders, including business representatives and economic development practitioners. During the focus groups, regional leaders were asked to review the principles; identify regional programs and activities that demonstrate each principle; and list opportunities, barriers or constraints, and action steps for implementation.

The regional focus groups generated lively discussions and an opportunity to focus on strategy with a cross section of regional leaders. The ten principles worked well in each regional meeting as a framework for assessing regional strategies, which require the cooperation of many diverse organizations. The challenge for a region is to organize its leadership in such a way that it can follow through on long-term strategies.

Conducting a self-assessment using the ten principles requires about four hours with a small group of leaders and professionals. (See "Agenda for an Economic Development Strategy Self-Assessment," next page.) The group should generally consist of eight to twelve business leaders,

economic development professionals, and community leaders who are familiar with economic and business conditions and with economic development and public policy issues in the state, region, or local area. A set of instructions and worksheets that can be used to conduct an economic development strategy self-assessment are provided at the end of this section. We encourage you to copy these pages and use them for your own strategic assessment. The instructions and worksheets should be sent out ahead of time so participants will have an opportunity to review the principles and reflect on the questions to be answered during the self-assessment session.

## **AGENDA FOR AN ECONOMIC DEVELOPMENT STRATEGY SELF-ASSESSMENT**

### **INTRODUCTION (15 MINUTES)**

Explain the process and provide an overview of the *Ten Emerging Principles*.

### **ASSESSMENT (3 HOURS)**

Review each principle, identify existing programs or activities that illustrate each principle, list opportunities for implementing each principle, identify barriers or constraints, identify action steps, and rate the extent to which each principles is evident in the state, region, or local area.

### **SYNTHESIS (30 MINUTES)**

Rank the *Ten Principles* by order of importance in the state, region or local area. Review and discuss the results, focusing on the most important principles and areas where the greatest improvement is needed.

### **CONCLUSION (15 MINUTES)**

Give feedback on the process and discuss follow-up steps.

### **MATRIX**

Use a matrix in the regional focus groups to identify the highest priority areas for the region and the areas where the greatest improvement was needed. Rank the group scores on the region's performance under each principle (vertical axis) and compare with how the group ranks the importance of each principle (horizontal axis). Those principles that rank highest in importance, but lower in performance, suggest where a region might place its primary effort initially. Of course, all *Ten Principles* are important, but it may make sense for a region to tackle the important areas in greatest need of improvement first.

## VI. STATE AND LOCAL ECONOMIC DEVELOPMENT MODELS

### THE COALITION FOR MANUFACTURING PERFORMANCE THROUGH TECHNOLOGY (COMPETE)

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**PRIMARY PRINCIPLE:** COMPETITIVENESS

**SECONDARY PRINCIPLES:** REGIONAL COLLABORATION, INDUSTRIAL FOCUS, CUSTOMER ORIENTATION, PARTNERSHIPS

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#### **PURPOSE**

The state of Illinois recently implemented a technology extension project, entitled COMPETE. The project is a statewide, coordinated effort to enable the competitiveness of small and medium-sized and defense-dependent businesses. The mission of the Illinois project is to improve the productivity and competitiveness of Illinois manufacturing firms, with a focus on defense-related firms.

#### **HISTORY**

The design of this project drew from research completed by DRI/McGraw-Hill and strategies suggested by Illinois business organizations and educational institutions. Members of a public/private partnership contributed to the development of the grant application and will now play a key role in the implementation and operation of the program in Illinois.

#### **PROGRAM DESIGN**

*COMPETE* enhances the competitiveness of small and medium-sized and defense-dependent businesses through the application of modern technologies and business practices. Primary goals of the project include (1) increasing manufacturing extension services by providing centers that serve both geographical regions and industries statewide; (2) providing access to the technical resource base, creating a one-stop information clearinghouse on modern business practices and advanced technologies; and (3) centrally coordinating the state modernization effort by granting the state the role of coordinating all activities to oversee and expand statewide manufacturing extension services, and providing both financial and technical support to the institutions delivering extension services.

#### **OPERATING STRUCTURE**

*COMPETE* is an innovative and ambitious program implemented by the state in partnership with the state's business community, major business associations, and higher education. The program operates with funds from the federal Technology Reinvestment Program, provided by the Advanced Research Project Agency, and is managed on the federal level by the National Institute of Standards and Technology.

#### **ACCOMPLISHMENTS**

*COMPETE* centers have assisted businesses in locating appropriate modernization and technology resources, such as product, process, material, or organizational innovations at universities, research labs and centers, private consultants, and other sources. The centers offer

services directly to targeted companies and assist companies that have identified the need for modernization.

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## **MINNESOTA TECHNOLOGY, INC.**

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### **PRIMARY PRINCIPLE: COMPETITIVENESS**

**SECONDARY PRINCIPLES: GLOBAL ECONOMY, REGIONAL COLLABORATION, INDUSTRIAL FOCUS, CUSTOMER ORIENTATION, PARTNERSHIPS, MEASUREMENT AND EVALUATION, LEARNING**

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## **PURPOSE**

Minnesota Technology, Inc. is a nonprofit corporation established to assist Minnesota companies in becoming more competitive by working with small manufacturers and supporting the development of technology-based companies.

## **HISTORY**

Minnesota Technology was established as a public/private nonprofit organization in 1991 by the Minnesota legislature.

## **PROGRAM DESIGN**

The services of Minnesota Technology are designed to help companies adopt new methods and technologies to improve their operations and strengthen their global competitiveness. It is important to note that a strong factor in attaining results is that their advisory boards of manufacturers make decisions on a local or regional level. To ensure value-added service, results are reported only in terms of what the individual company claims Minnesota Technology's assistance helped them accomplish. Through the six local offices located across the state, Minnesota Technology works with small and medium-sized manufacturing companies to identify competitive barriers, secure expertise and objectively manage projects that streamline processes, improve product quality and reduce manufacturing cost, and rework inventory and waste. Minnesota Technology takes responsibility for developing the state's science and technology policy, fostering a technology infrastructure for future growth, and increasing awareness of how important manufacturing and technology-based industries are to Minnesota's economy.

## **OPERATING STRUCTURE**

Minnesota Technology is composed of a board of directors appointed by the governor, a management team, six regional advisory boards located throughout the state, and an equity fund committee. Representatives on the board of directors and the regional advisory boards are primarily from the private sector and educational institutions. The staff are mainly manufacturing specialists and engineers with extensive industry experience.

## **ACCOMPLISHMENTS**

Many of the strategies incorporated by Minnesota Technology are long-term, yet many of their client companies have reported that efforts are already beginning to pay off. In 1994, their work led to the creation/retention of 728 jobs (as reported by the companies themselves), along with a direct contribution of \$40 million to Minnesota's economy. Economic impact is measured through increased sales/profits, technology investment, cost savings/cost avoidance, number of jobs retained, number of jobs created, and estimated annual wages from jobs created/retained.

## **CONTACTS**

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## **MISSISSIPPI RESOURCE CENTER**

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**PRIMARY PRINCIPLE:** COMPETITIVENESS

**SECONDARY PRINCIPLES:** EQUITY, GLOBAL ECONOMY, COMPREHENSIVE STRATEGY, CUSTOMER ORIENTATION, PARTNERSHIPS

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## **PURPOSE**

The primary function of the Mississippi Resource Center (MRC) is to support economic developers throughout the state of Mississippi. The MRC presents video productions and data on sites, buildings, and communities, and showcases state-level resources to promote Mississippi as a whole.

## **HISTORY**

A variety of companies, both public and private, have contributed to the operation of the Mississippi Resource Center. The MRC staff has supported economic developers from the Mississippi Department of Economic and Community Development, Mississippi Power and Light, Mississippi Power Company, Electric Power Associations of Mississippi, South Central Bell, and various economic development associations throughout Mississippi. Governor Kirk Fordice has stated that "the Mississippi Resource Center puts every community on an even playing field."

## **PROGRAM DESIGN**

The MRC supports a database of all communities in the state, along with available buildings and sites. The MRC's primary responsibility is to support economic developers with prospective clients who are interested in either relocating or expanding their business or industry. The prospective client can research potential locations anywhere in the state. Through laser disc technology, the MRC puts Mississippi "under one roof," thus saving valuable time for

prearranged on-site visits to selected locations. During in-house presentations, clients narrow down their choices of sites or buildings. The information on selected sites and buildings can be made available in hard copy and/or video for clients to take back to their home offices for review by site selection committees or upper management.

## **OPERATING STRUCTURE**

The MRC is run by a highly trained staff who works with the Mississippi Department of Economic and Community Development, local and regional chamber and economic development organizations, and other state and federal agencies in gathering and organizing community data.

## **ACCOMPLISHMENTS**

The MRC has made the state more competitive in economic development, both domestically and internationally. As they strive to overcome some of the negative stereotypes, images, and perceptions that have held Mississippi back, the MRC will serve its purpose by bringing new and expanding business into the state.

## **CONTACT**

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## **PENNSYLVANIA INDUSTRIAL COMPETITIVENESS INITIATIVE**

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**PRIMARY PRINCIPLE:** COMPETITIVENESS

**SECONDARY PRINCIPLES:** GLOBAL ECONOMY, CUSTOMER ORIENTATION, PARTNERSHIPS, MEASUREMENT AND EVALUATION, LEARNING

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## **PURPOSE**

The Pennsylvania Industrial Competitive-ness Initiative is a program that restructures the way the Commonwealth helps its labor force and businesses compete in a global economy. The program fashions an innovative enterprise that promotes competitiveness through the adoption of total quality management practices.

## **HISTORY**

Pennsylvania feels that job retention is the most important link to global competitiveness and total quality management. As a result, the state has expanded the role of its chief business financing agency, the Pennsylvania Industrial Development Authority (PIDA), and combined it with the state's eight regional Industrial Resource Centers (IRCs), whose task it is to assist manufacturers in improving the quality, productivity, and technologies of their operations.

## **PROGRAM DESIGN**

The key ingredient in PIDA's Job Retention Program is the fusion of public financing (from PIDA) and manufacturing technology assistance (from the IRCs) based on a "quality firm" standard. The IRCs' role in this program is to designate a manufacturer as a quality firm based on a set of standard criteria. Funding and participation for job retention is limited to those firms that meet IRCs' criteria. By forging such a partnership, Pennsylvania can now provide increased financial and technological support for in-state businesses that are implementing total quality jobs.

## **OPERATING STRUCTURE**

The Pennsylvania Industrial Development Authority (PIDA) works together with the state's eight Industrial Resource Centers (IRCs) to coordinate the initiative.

## **ACCOMPLISHMENTS**

By 1994, thirty-two PIDA job retention projects had been funded, resulting in the retention of over five thousand Pennsylvania workers. In setting this course, Pennsylvania became the first state in the nation to forge together its business financing and technology assistance systems for the dual purposes of retaining quality jobs for its work force and fostering total quality management practices.

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## **OHIO'S THOMAS EDISON PROGRAM**

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**PRIMARY PRINCIPLE:** COMPETITIVENESS

**SECONDARY PRINCIPLES:** REGIONAL COLLABORATION, INDUSTRIAL FOCUS, CUSTOMER ORIENTATION, PARTNERSHIPS, MEASUREMENT AND EVALUATION, LEARNING

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## **PURPOSE**

The objectives of the Thomas Edison Program are to provide assistance for the health and growth of existing local businesses of all sizes; to help create new companies based on technologies being developed in indigenous research institutions, state and private universities, and technical and community colleges; and to attract national and international companies to the state.

## **HISTORY**

The Thomas Edison Program was proposed by Governor Richard F. Celeste in 1983 when Ohio had high unemployment and concerns about the long-term viability of the manufacturing sector. The program has broad-based support from Ohio's state and national elected officials of both



political parties, from owners and employees of large and small companies, and from academic faculty and administrators.

### **PROGRAM DESIGN**

There are nine Edison Technology Centers, a seed development fund, and technology incubators. Each center is a three-way partnership among industry, academia, and government. The state allows a great deal of latitude in how the centers are organized to provide the broad goals that will result in economic benefit to the state. Edison Technology Centers are developed to serve either a region or an industry. The centers may provide a range of services, including problem solving, technology application, industry-university linkages for research, and development of local industry, depending on the results from outstanding, local research facilities.

### **OPERATING STRUCTURE**

Each Edison Technology Center is governed by a board of directors. There is considerable variation in the composition, technical and business expertise, and assertiveness of the boards. Each center has a staff, which is critical to the center's ability to bring diverse constituents together, conduct outreach, and provide assistance. Top management has a mixture of technical and commercial expertise, and is able to gain the trust of academic and industrial partners.

### **ACCOMPLISHMENTS**

Seven key successes are recognized to date: (1) the centers are led by enthusiastic directors who welcome broad participation and actively solicit new members; (2) mission statements are clearly defined and realistic, meet state objectives, and fit local situations; (3) the program builds on academic, industrial, and community strengths; (4) the program has gained the enthusiastic support of universities and colleges; (5) industry representatives constitute at least half of the membership on the board of directors; (6) industry backing has been demonstrated by financial support; and (7) effective networking exists with both industry and university sources for technical ideas and advice in meeting industrial needs.

### **CONTACT**

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### **COASTAL ENTERPRISES, INC.**

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**PRIMARY PRINCIPLE:** EQUITY

**SECONDARY PRINCIPLES:** REGIONAL COLLABORATION, CUSTOMER ORIENTATION, PARTNERSHIPS, LEARNING

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## **PURPOSE**

Coastal Enterprises, Inc. (CEI) is a private, nonprofit community development corporation that directs economic and human resources to help Maine residents with low incomes reach an adequate and equitable standard of living, working, and learning. Its overall purposes include providing financial and technical assistance for development and expansion of industries, small businesses, housing, and social services; mobilizing private and public resources to support innovative projects that meet the needs of individuals, families, and communities; creating social and economic opportunities for individuals and families at risk of poverty; and engaging in research and policy development.

## **HISTORY**

Coastal Enterprises was founded in 1977 and is located in Wiscasset, Maine.

## **OPERATING STRUCTURE**

CEI's "gap financing" in subordinated debt and equity investments is its core vehicle for fulfilling its mission. CEI's financing to small businesses helps to create and sustain quality jobs within primarily Maine-owned firms. Small businesses in CEI's portfolio represent a diverse range of enterprises including value-added natural resource industries, such as fisheries processing and marketing; aquaculture; secondary wood and agricultural products; manufacturing; wholesale and retail service industries, including family and center-based child care services; and "microenterprises," which are characterized by self-employment and/or firms with less than five full-time employees. CEI has successfully ensured access to employment opportunities for their target population by requiring businesses receiving financing to sign an employment agreement. Under this arrangement, employers promise to consider low-income and at-risk clients with whom CEI works for appropriate job openings.

## **OPERATING STRUCTURE**

CEI has a volunteer, fifteen-member board of directors. These people bring diverse skills and experience to the organization, establish policy and program priorities, and approve major loans and investments. Nine of the directors are community representatives. Six directors are appointed to represent related areas of expertise in business and finance. Directors are elected or appointed to serve staggered terms of three years. Any Maine resident that supports the mission of the organization may become a member for a nominal yearly fee. Members elect nine community representatives at the CEI annual meetings.

## **ACCOMPLISHMENTS**

As of 1994, CEI has invested over \$22 million in 325 businesses and leveraged an additional \$65 million in bank and other financing. Their internal statistics show that at the time a loan was made, these businesses were projected to create or sustain five thousand jobs. It has raised over \$30 million from local and national foundations, federal and state governments, and private corporations to seed its small business and other technical assistance and development programs.

## **CONTACT**

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## **MASSACHUSETTS COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

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**PRIMARY PRINCIPLE:** EQUITY

**SECONDARY PRINCIPLES:** COMPREHENSIVE STRATEGY, CUSTOMER ORIENTATION, PARTNERSHIPS, LEARNING

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## **PURPOSE**

The Massachusetts Community Economic Development Assistance Corporation (CEDAC) was established with the recognition that the revitalization of depressed areas often involves going beyond simply finding dollars. It must also involve building the capacity to use dollars wisely. CEDAC was established to provide flexibility, expertise, and commitment to working with community-based efforts that are addressing these challenges within low income communities.

## **HISTORY**

CEDAC was created through an act of the Massachusetts legislature in 1978 and began operating in 1979.

## **PROGRAM DESIGN**

CEDAC provides predevelopment technical assistance and seed financing to Massachusetts-based nonprofit organizations that address the revitalization of depressed areas or develop resources to assist low income people. By statute, CEDAC offers service only to nonprofits working in distressed communities; such groups typically lack risk capital or the organizational expertise to launch and complete a development project.

CEDAC staff work with community development corporations, social service providers, tenant associations, and other community nonprofits at their preliminary stages of project planning, providing expertise and high risk capital to ensure that the projects are well-conceived and financially feasible. Entrepreneurial by nature, CEDAC varies the specific technical services it provides and leverages a wide variety of public and private funding sources to match the local development ventures its nonprofit clients undertake. CEDAC addresses its goals through three core groups of service: real estate development, affordable housing development, and loan fund management.

## **OPERATING STRUCTURE**

CEDAC is designed as a quasi-public organization, and is governed by a nine-member volunteer board of directors. The board members are appointed by the governor to five year terms. Board members usually include development professionals from the public or private sector, and people from the state's key housing and development agencies. CEDAC's board must approve every commitment of assistance that is granted by the organization.

## **ACCOMPLISHMENTS**

As of 1994, CEDAC was providing predevelopment assistance or seed capital to approximately one hundred projects annually. Since 1986, CEDAC's predevelopment loans have helped develop 107 projects in twenty-seven cities, creating 5,400 housing units, and they anticipate providing assistance in the development of another 5,900 units in the future. CEDAC has also helped to preserve more than 2,000 publicly-assisted housing units. Given the high risk nature of the loans, CEDAC has shown a loan loss rate of only 7.5 percent. They have raised over \$380 million in project financing.

## **CONTACT**

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## **NORTHERN INITIATIVES**

### **PRIMARY PRINCIPLE: EQUITY**

**SECONDARY PRINCIPLES: COMPETITIVENESS, COMPREHENSIVE STRATEGY, REGIONAL COLLABORATION, INDUSTRIAL FOCUS, CUSTOMER ORIENTATION, PARTNERSHIPS, LEARNING**

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## **PURPOSE**

Northern Initiatives (formerly known as Northern Economic Initiatives Corporation) is a nonprofit partner that advises businesses on marketing, production, and management matters and cooperates with colleges in the area to provide worker training. It considers itself to be much more than a poverty alleviation program as it attempts to transform a rural economy by stabilizing its underlying features.

## **HISTORY**

In a collective effort known as the Upper Peninsula Economic Initiative, Michigan's Upper Peninsula seeks to generate new employment opportunities, raise family incomes, and diversify the economic base. The history of the mining and lumbering villages in this region, the state's remote and rugged northern half, describes a recurring cycle of depleted resources and stranded populations. The initiative received major support from both private foundations and the state government.

## **PROGRAM DESIGN**

Northern Initiatives provides several services to businesses, including helping individual firms develop a business plan, analyze their financial statements, assess business opportunities, and evaluate options for financing. North Coast, a business and industrial development corporation that takes the role of the financing arm, provides financing in the form of subordinated debt or equity, rather than senior debt. This means that North Coast may assume partial ownership of its borrowers. North Coast has a unique incentive to invest its money for social gain. Whenever its investments help borrowers create new jobs or increase sales, a portion of the Michigan state loan converts to equity making it, in effect, a grant.

Recognizing that local businesses could compete better outside the region if they cooperated at home, Northern Initiatives helped forge an unusual alliance called a "continuous improvement user group," or CIUG. The member businesses, which specialize in building such products as cutting boards, wicker furniture, saunas, and snowshoes, employ 91 percent of the 1,300 workers in the Upper Peninsula's wood products industry. While touring one another's plants, they have suggested ways to increase productivity and improve quality without installing costly new equipment.

Working closely with private industry councils and educational institutions, Northern Initiatives has developed customized training programs in blueprint reading, production scheduling, inventory control, and team building, all for local firms. The Upper Peninsula Economic Initiative has also launched a long-term effort to upgrade the skills of the local labor force by creating the Upper Peninsula Consortium for Workforce Development, a network of the region's educational and training institutions, to develop a collective strategy to educate students and retrain workers.

## **OPERATING STRUCTURE**

Business leaders and educators throughout the region are working with the initiative, which consists of two economic development organizations based in the city of Marquette, Michigan. North Coast BIDCO (Business and Industrial Development Corporation), a subsidiary of the Shorebank Corporation in Chicago, makes capital investments in Upper Peninsula businesses. Northern Initiatives is North Coast's nonprofit partner.

## **ACCOMPLISHMENTS**

Residents of Michigan's Upper Peninsula now enjoy a higher standard of living and a lower rate of unemployment. Moreover, highly paid workers at small and medium-sized manufacturing firms nearly outnumber those with low-paying retail jobs, and the ranks of the higher-paid workers continue to grow. Continuous improvement user groups (CIUG) have been duplicated in Michigan, Minnesota, and Ohio.

## **CONTACT**

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## **1-800-XPORT WISCONSIN**

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**PRIMARY PRINCIPLE:** GLOBAL ECONOMY

**SECONDARY PRINCIPLES:** COMPETITIVENESS, CUSTOMER ORIENTATION,  
PARTNERSHIPS

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## **PURPOSE**

1-800-XPORT WI is a hotline service that provides free export advice and assistance to small and medium-sized businesses.

## **HISTORY**

The hotline was initiated in December 1993 as a service of the Wisconsin Department of Development (DOD).

## **PROGRAM DESIGN**

1-800-XPORT WI is designed to make DOD's exporting services accessible and user friendly. The hotline uses a recorded menu of choices to direct the caller to the appropriate specialist in DOD's Bureau of International Development. The trade consultants provide one-on-one exporting information, ranging from how to get business cards translated to the details of the North American Free Trade Agreement. The consultants are also available for on-site visits.

## **OPERATING STRUCTURE**

1-800-XPORT WI is cosponsored by seven utility companies and staffed by DOD employees. A profile is developed for each business that calls so that DOD can follow up with additional information on its services and programs as well as upcoming trade shows and missions. The business profiles are also shared with participating utilities. The program has been advertised through trade publications and newspapers.

## **ACCOMPLISHMENTS**

The hotline averages 69 calls per month, ranging from a low of 26 to a high of 225. Increases in the number of calls from particular regions has been tied to press coverage in local newspapers. Many of the users have been entrepreneurs or businesses that were unaware of DOD's export promotion activities prior to calling the 1-800 number.

## **CONTACT**

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Wisconsin Department of Development  
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## **INTERNATIONAL QUALITY STANDARDS (ISO 9000)**

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**PRIMARY PRINCIPLE:** GLOBAL ECONOMY

**SECONDARY PRINCIPLES:** INDUSTRIAL FOCUS, MEASUREMENT AND EVALUATION, LEARNING

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### **PURPOSE**

International Quality Standards (ISO 9000) is an internationally accepted series of standards that detail requirements for assuring the quality of products and services. Properly implemented, it will facilitate the marketing of products and services anywhere in the world while improving internal operations and profitability. It is a useful tool to educate businesses about how to compete in global market systems.

### **HISTORY**

Historically, nations and individual industries have developed and enforced their own unique standards or guidelines for quality. There has always been significant variability among these standards from country-to-country and industry-to-industry. As early as the 1950s, this lack of a uniform approach to standards was recognized by governments and economists as a significant barrier to international trade. By the mid-1970s, the rapidly developing and evolving trade situation within the European Community focused additional international attention on the lack of universally accepted standards.

In effect, the absence of uniform quality standards was negatively impacting international trade. As a result, this issue began receiving a high degree of attention from governments, international financial institutions, businesses, and industry. In response, the International Organization for Standardization in Geneva, Switzerland, chartered a task force in the late 1970s to create a strategic plan that included development and implementation of worldwide standards. The core of this work is the set of documents that specify quality standards known as ISO 9000, which were first published in 1987. The impending realization of the global marketplace and efforts to homogenize that marketplace has been the driving force in the creation of these standards.

### **PROGRAM DESIGN**

ISO 9000 doesn't detail specifically how a company should run its business. Rather, the standard defines the critical elements that must be planned for and dealt with. It is up to the company seeking certification to decide how it will address these elements. The standard is prescriptive in nature and requires a company to plan what it is doing and then follow its own quality

procedures. Nearly every employee in a company seeking certification will be involved in some aspect of the planning, implementation, or audit process as the company progresses toward certification.

## **OPERATING STRUCTURE**

Certification of a company takes place when an independent auditing agency conducts an on-site visit and documents compliance to the appropriate standard. This process involves a team of people from the audit agency, and can take anywhere from a day to several weeks depending on the size and complexity of the company being audited. The auditing agency's role is to verify the compliance and effectiveness of the company's quality system against the applicable ISO standard.

## **ACCOMPLISHMENTS**

In many industries, ISO 9000 has already become the minimum requirement for doing business.

## **CONTACT**

American National Standards Institute  
Sales Department  
11 West 42nd Street  
New York, NY 10036  
212/642-4900

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## **INVESTING IN INDIANA**

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**PRIMARY PRINCIPLE:** COMPREHENSIVE STRATEGY

**SECONDARY PRINCIPLES:** COMPETITIVENESS, GLOBAL ECONOMY,  
CUSTOMER ORIENTATION, PARTNERSHIPS, LEARNING

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## **PURPOSE**

Investing In Indiana is a strategic economic development plan for the state of Indiana. The underlying theme for the plan is developing and sustaining the public and private partnerships necessary to stimulate and enhance Indiana's competitiveness. Investing does not mean government giveaways or private subsidies. It means increasing productivity by putting resources into factories, research and development, better machinery, water and sewer systems, and people. It also means redesigning government so that it is more efficient.

## **HISTORY**

Investing In Indiana is the product of an eighteen-month planning process with the Indiana Economic Development Council, Inc. (IEDC) and over 450 representatives from business, educational, governmental, labor, social services, and nonprofit organizations. Through their combined efforts, they refined the state's economic development plan, pinpointed the most important areas to pursue, and developed a vision for providing job opportunities and economic growth that extends into the future and focuses on investing in value-added portions of their economy.



## **PROGRAM DESIGN**

As Indiana seeks to enhance its competitiveness, it should focus its resources, programs, policies, and partnerships on five priorities: (1) creating a regulatory system that ensures compliance in the most efficient, timely, and cooperative manner; (2) improving the school-to-work transition, and developing incentives that will increase participation in, and effectiveness of, lifelong learning; (3) aggressively communicating the message that the state is committed to high performance firms that add value and can compete in a global economy; (4) reducing the cost of capital for municipalities as they invest in transportation and environmental infrastructure; and (5) developing and implementing cost-effective tools that enable Indiana's banks to expand lending to small and medium-sized businesses. INvesting IN INdiana has also developed a list of nine investment guidelines, or maxims, that will help to guide investment decisions.

## **OPERATING STRUCTURE**

INvesting IN INdiana is a strategic planning effort. The work done through this plan will guide policymakers on best practices in investment and policy priorities. Annual update conferences will track and examine priorities and trends.

## **ACCOMPLISHMENTS**

Accomplishments will be identified upon the adoption of the strategic plan into policy and through the analysis of its implementation.

## **CONTACT**

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## **PACIFIC NORTHWEST ECONOMIC REGION**

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**PRIMARY PRINCIPLE:** REGIONAL COLLABORATION

**SECONDARY PRINCIPLES:** COMPETITIVENESS, GLOBAL ECONOMY,  
INDUSTRIAL FOCUS, PARTNERSHIPS, LEARNING

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## **PURPOSE**

The Pacific NorthWest Economic Region (PNWER) is a mechanism designed to allow northwestern states and western Canadian provinces to take charge of their destiny in light of a shifting global economic order. The objective is to reach the critical mass needed to become a significant economic force in global markets and to take advantage of the enormous opportunities awaiting those willing to compete globally. The organization has been founded on the belief that when the productive output of the region is combined, it constitutes a formidable economic presence. Participants in this effort to meet the challenges of the international economy are the U.S. states of Alaska, Idaho, Montana, Oregon, and Washington, and the Canadian provinces of Alberta and British Columbia.

## **HISTORY**

The state of Washington initiated the move toward the new regional coalition. With unanimous approval of a joint house and senate resolution in 1989, legislative leaders from the other four states and two provinces were invited to meet in Seattle for an exploratory conference. Before the three-day conference adjourned, more than 125 areas of cooperation were identified. Those attending the conference voted unanimously to move forward with the venture.

## **PROGRAM DESIGN**

The PNWER has targeted six areas of focus:

- marketing environmental technology and services to the international marketplace;
- building a global tourism market;
- adding value to regional forest resources;
- initiating regional recycling and developing new markets;
- training world-class workers;
- using telecommunications to link institutions of higher learning.

## **OPERATING STRUCTURE**

A steering committee, which emerged from the conference, has refined the PNWER agenda to a manageable list of achievable initiatives.

## **ACCOMPLISHMENTS**

Regional initiatives like PNWER can guide states toward future economic expansion and enhance their quality of life. Pacific northwest legislators of both parties believe that collective action combined with their geographic advantage will give the region a competitive edge in targeted world markets. They also hope to enjoy spinoffs in educational improvement and training, increase the value-added skills of the region, and identify technological advances that can enhance regional industries. Consensus is growing in the belief that these goals can be achieved, but there is also a realization that it cannot happen unless leaders in the public and private sectors work cooperatively to set goals and long-range policies to achieve them.

## **CONTACTS**

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## **RED RIVER TRADE CORRIDOR, INC.**

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**PRIMARY PRINCIPLE:** REGIONAL COLLABORATION

**SECONDARY PRINCIPLES:** COMPETITIVENESS, GLOBAL ECONOMY,  
INDUSTRIAL FOCUS, CUSTOMER ORIENTATION, PARTNERSHIPS

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## **PURPOSE**

The Red River Trade Corridor is a regional, cooperative, rural development project between Minnesota, North Dakota, and Manitoba, Canada. The purpose of this collaborative effort is to increase activity within the marketplace of the three jurisdictions and to promote, internationally, the region's central North American location. The project is founded in two important economic trends. First is the recognition that marketplace operations in the future will be considerably different than in the past, offering new opportunities to rural businesses. Successful rural businesses will be innovative, focused on existing strengths, flexible and responsive to customer needs, constantly learning and tracking industry changes, networked with complementary businesses in their economic sectors, and linked into the global economy. The second trend is the emergence of continental or multinational trading blocks. Within these trading blocks are emerging regional, international trading communities centered on natural, regional economic strengths, mutual advantage, and common history and culture.

## **HISTORY**

The Red River region was explored, developed, and settled as a regional community. The three jurisdictions Minnesota, North Dakota, and Manitoba share a strong cultural and economic history. As a regional community, the Red River region has over 1.5 million people, twenty post-secondary institutions, fifty research and development facilities, three international airports, an extensive continental and arterial highway system, an extensive east-west and north-south railway system, and a well-developed distribution infrastructure.

## **OPERATING STRUCTURE**

The Red River Trade Corridor functions like a private trade association providing information, education, networking, advocacy, and project development services to its members. It is not an economic development agency and does not put together financial packages for businesses to locate or expand in the region. The Trade Corridor serves as a highly visible point of reference for businesses to access and share marketplace information as a neutral body for cooperative international marketing efforts, and as a vehicle for enhancing a broader and more meaningful sense of regional identity. It works closely with existing agencies, networks, and institutions to increase trade among businesses in Minnesota, North Dakota, and Manitoba; to increase trade among businesses in the Red River region and North America; to build linkages between the Red River region and the global economy; and to serve as a facilitator for addressing issues of concern to the Red River region marketplace.

## **OPERATING STRUCTURE**

The Red River Trade Corridor is a nonprofit corporation located on the campus of the University of Minnesota, Crookston. It is governed by a nine-member board of directors. Each jurisdiction is represented by three members. The Trade Corridor publishes a newsletter, reports on issues of special interest to the region, holds an annual meeting, organizes trade missions, and publishes a variety of marketing brochures about the region in several languages.

## **ACCOMPLISHMENTS**

The Red River Trade Corridor has established the Red River Economic Developers' Network and is working with the science and technology, transportation, and manufacturing sectors to establish regional networks. It is conducting a regional strategic planning project in the areas of

telecommunications and work force training. As a result of its annual meetings, network programs, and trade missions, several businesses have established successful trading relationships. The Trade Corridor has its own World Wide Web home page. It has an active program of working with the businesses in the region to help them use the Internet to expand international trade.

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## **MASSACHUSETTS INDUSTRY PROFILES**

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**PRIMARY PRINCIPLE:** INDUSTRIAL FOCUS

**SECONDARY PRINCIPLES:** COMPETITIVENESS, GLOBAL ECONOMY, REGIONAL COLLABORATION, CUSTOMER ORIENTATION, PARTNERSHIPS, MEASUREMENT AND EVALUATION, LEARNING

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## **PURPOSE**

Massachusetts wanted to examine the competitiveness of the state's base industries (those that sell substantial shares of their products or services to out-of-state customers) and industry clusters. The ability of these industries to compete nationally and internationally will determine the long-term economic growth of the Commonwealth as a whole. Massachusetts recognizes that local industries (those that serve in-state customers) are dependent on the prosperity brought in by the base industries.

## **HISTORY**

A 1993 study, *Choosing to Compete: A Statewide Economic Strategy*, included a section on Massachusetts Industry Profiles. The study was a collaborative effort between the Executive Office of Economic Affairs and the University of Massachusetts.

## **PROGRAM DESIGN**

The development of Massachusetts Industry Profiles was drawn from the work of Professor Michael Porter, Harvard Business School, and his discussion of four major industry clusters (1991). The four major clusters that Porter identified were health care, information technology, knowledge creation, and financial services. Additional industry profiles that were identified and studied include paper and related products, plastics, primary and fabricated metals, textiles and apparel, industrial and electrical machinery, and tourism. Porter defines an industry cluster as a group of rival firms, suppliers and customers, specialized research centers, and skilled labor pools. Porter's theory is based on the premise that a cluster increases the economic competitiveness of the firms within it because an individual firm is able to draw on common

skills, ideas, and innovations generated by the cluster as a whole that would not be present if the firm operated in isolation.

## **OPERATING STRUCTURE**

Research and data on industry clusters were compiled by the Massachusetts Executive Office of Economic Affairs and the University of Massachusetts.

## **ACCOMPLISHMENTS**

The industry analyses provided a better understanding of the needs of the Commonwealth's base economy, and serve to focus policy priorities in economic development for the state and subregions. The research also identified some potential future growth industries for the state.

## **CONTACT**

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Boston, MA 02108  
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## **OREGON'S KEY INDUSTRIES PROGRAM**

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**PRIMARY PRINCIPLE:** INDUSTRIAL FOCUS

**SECONDARY PRINCIPLES:** COMPETITIVENESS, GLOBAL ECONOMY, REGIONAL COLLABORATION, CUSTOMER ORIENTATION, PARTNERSHIPS, MEASUREMENT AND EVALUATION, LEARNING

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## **PURPOSE**

The goal of Oregon's Key Industries Program is to enhance the growth, development, and global competitiveness of "key" industries that are considered crucial to the vitality and diversity of Oregon's economy.

## **HISTORY**

Oregon Shines, the state's 1989 strategic plan, emphasizes the importance of promoting Oregon's key industries. This emphasis has translated into a formal focus by the entire Economic Development Department on supporting the development and competitiveness of thirteen designated key industries: aerospace, agriculture, biotechnology, environmental, film and video, fisheries, forest products, high technology, metals, plastics, professional services, software, and tourism

## **OPERATING STRUCTURE**

The Key Industries initiative helps industry groups work together within flexible networks and trade associations to become more competitive. The emphasis is on cooperation and partnerships among existing businesses, and governmental, educational, and research organizations. The initiative's core activities have been (1) organizing key industries to prioritize competitive challenges and opportunities, (2) creating new industry-led trade associations for each of the key industries and implementing competitive strategies, and (3) promoting flexible networks (partnerships among three or more private companies to develop new markets, produce new

products and increase profits) by providing consulting and mentoring services, training network brokers, and offering \$10,000 matching grants as a catalyst to share the risk of start-up expenses.

## **OPERATING STRUCTURE**

There is a strong emphasis on keeping the initiative industry driven. A four-person staff in the Economic Development Department serve as liaisons to industry leaders. The Key Industries initiative was funded for 1993-95 with a \$2.5 million allocation from the state legislature; for 1995-97, it will be funded with a \$2.0 million allocation. Economic development is funded through state lottery funds.

## **ACCOMPLISHMENTS**

Strategic, industry-driven action plans have been developed for each of the thirteen key industries, complete with identified benchmarks by which to gauge progress. As of spring 1994, a total of forty-three networks, involving over 275 businesses, had been established with the help of the initiative. The focus on key industries is prominent throughout other economic development efforts as well. For example, Oregon's Regional Strategies program requires multicounty regions within the state to target two to three key industries as the basis of their economic development plans.

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## **TRI-STATE COMPETITIVE REGION INITIATIVE**

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**PRIMARY PRINCIPLE:** INDUSTRIAL FOCUS

**SECONDARY PRINCIPLES:** COMPETITIVENESS, GLOBAL ECONOMY, REGIONAL COLLABORATION, CUSTOMER ORIENTATION, PARTNERSHIPS, MEASUREMENT AND EVALUATION

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## **PURPOSE**

The Tri-State region, which comprises southeastern New York, northern New Jersey, and western Connecticut, wanted to take steps to ensure that its key industries maintain a competitive edge against their counterparts in the U.S. and around the world. The Tri-State Competitive Region Initiative was designed to be a central element of a larger planning effort, which provided a critical economic rationale for the region. The initiative set out to analyze each of the region's key industries and work with industry and area leaders to identify steps that would ensure the region's future growth and prosperity.

## **HISTORY**

The Tri-State Competitive Region Initiative, which took place in 1994, had four major components: (1) an economic diagnosis that included an initial assessment of the competitive position of the region; (2) the development of two parallel but interconnected sets of working groups industry and area to provide input into the planning process; (3) the development of a regional vision and strategy, or "blueprint," built on the priority actions identified by industry and regional participants; and (4) the implementation of action initiatives to be achieved by building teams and securing broader business or government participation for each initiative.

## **OPERATING STRUCTURE**

The objectives of the Tri-State Competitive Region Initiative are to (1) create a vision and strategy, supported by local business and industry leaders; (2) communicate the findings of the initiative that affect other components of the planning effort; and (3) develop and begin implementing new industry specific and cross-cutting strategies to improve the Tri-State regional economy. The economic diagnosis found that the region's economic "portfolio" was driven by three major groups of industries: value-added services, science-based production and services, and conventional manufacturing and services. It was determined that each industry, in their own way, was having difficulty competing in the global marketplace. The preliminary diagnosis, supported by a summary report on the regional economy, its five areas, and each industrial cluster, set the stage for the collaborative strategy phase for the Tri-State Competitive Region Initiative. Implementation of the initiatives is scheduled for 1995.

## **OPERATING STRUCTURE**

The Regional Plan Association (RPA) and DRI/McGraw-Hill served as facilitators and support resources, coordinating and managing the strategy process. Industry leaders were asked to join the working group process for their cluster, and the five RPA geographic areas were asked to work together to explore their subarea's cluster and economic infrastructure needs.

## **ACCOMPLISHMENTS**

The initial product of the Tri-State Competitive Region Initiative is the first comprehensive analysis of the region's economy in more than a decade.

## **CONTACT**

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The Regional Plan Association  
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New York, NY 10022  
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## **MINNESOTA DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT PERFORMANCE MONITORING SYSTEM**

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### **PRIMARY PRINCIPLE: CUSTOMER ORIENTATION**

### **SECONDARY PRINCIPLES: MEASUREMENT AND EVALUATION, LEARNING**

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#### **PURPOSE**

The purpose of the Minnesota Department of Trade and Economic Development's (DTED) performance monitoring system is to (1) generate performance measurement data to help program managers monitor, evaluate, and improve the performance of their programs and (2) meet the legislative requirement for an annual performance report. In some cases, data on client satisfaction with DTED programs are used to evaluate staff performance. The system also generates data on client needs, which are used as a basis for creating new services or program initiatives.

#### **HISTORY**

DTED began implementing its performance monitoring system in early 1988 for two important reasons: (1) it had direct applications to a departmentwide strategic plan that emphasized quality and customer service and (2) the effort had the commitment of top management. At about the same time, The Urban Institute was looking for two test states for its grant from the Department of Commerce to develop a performance monitoring system for economic development agencies. DTED was selected as one of the institute's case studies.

The institute conducted interviews and focus group sessions to help develop instruments to monitor the performance of DTED programs. Surveys were sent to business and community customers of five DTED programs. Survey data were analyzed and the results were reported to program managers. In the following years, the performance monitoring system was expanded to other department programs, and in March 1992, DTED allocated funding for a full-time program evaluation specialist to implement and manage the performance monitoring system. By 1993, the monitoring system was well established and allowed DTED to readily complete a comprehensive annual performance report that was mandated by the Minnesota legislature.

#### **PROGRAM DESIGN**

The DTED performance monitoring system is used to obtain data from two sources: the program's management information system and customer surveys. Data from the program's management information system are typically related to program activity measures. The instruments used to conduct the survey are revised each year to suit program needs. The surveys gather data on client characteristics, client perceptions of program services, and impacts of programs on clients. The development of the survey instrument involves both program managers and program staff. To implement changes and improve program performance, research reports are written and submitted to the program manager.

#### **OPERATING STRUCTURE**

The performance monitoring system is managed by DTED's program evaluation specialist, who reports to the director of the Office of Information, Analysis and Evaluation (IAE). IAE provides



support to DTED programs and assigns an analyst to serve as the account manager for each program. The program evaluation specialist works with the IAE account manager to conduct performance monitoring for each DTED program. The specialist also works with the Legislative Auditor's Office to improve DTED's annual performance report.

## **ACCOMPLISHMENTS**

Through the performance monitoring system, DTED has compiled information on the performance measures and level of customer satisfaction related to its programs. These programs include the Small Business Development Center (SBDC) program, international trade/export program conducted by the Minnesota Trade Office, Business Finance Assistance program, Community Assistance program conducted by the Office of Regional Initiatives, and the Industry Marketing program.

## **CONTACTS**

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## **NEBRASKA DEVELOPMENT NETWORK, INC.**

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**PRIMARY PRINCIPLE:** CUSTOMER ORIENTATION

**SECONDARY PRINCIPLES:** COMPETITIVENESS, COMPREHENSIVE STRATEGY, GLOBAL ECONOMY, PARTNERSHIPS

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## **PURPOSE**

The Nebraska Development Network is a voluntary association of development professionals state, federal, local, and private with a common mission of helping communities, people, and businesses to succeed in the global economy. The network is creating an electronically-linked system that will feed communities the economic information they need to make the most effective use of limited resources, and focus those resources on market-defined needs.

## **HISTORY**

The Nebraska Development Network was officially established through an executive order of the governor in 1992. To carry out its mission, the network established four goals: (1) to create and support, in communities, the capacity to use public and private resources to create a healthy business climate and community environment; (2) to create a supportive service system that will help communities, people, and businesses succeed in the global economy; (3) to identify and develop the elements of a healthy business climate labor, financing, infrastructure, business

services, efficient government, and technology at the local and regional level; and (4) to create an understanding of public and private resources (development knowledge) and how they are used to assist businesses to succeed.

## **PROGRAM DESIGN**

The Nebraska Development Network sponsors activities and provides support in several areas:

- Regional groups, whose work includes regional celebrations and events, training sessions, public awareness, and demonstration projects.
- Nebraska Online, a cooperative project developed and managed by the Nebraska Library Commission, which serves as the computer-supported information and communication component of the Network, supports library and information service development, and increases public access to state and federal government information.
- Community Builders, an initiative that focuses on building the capacity of small, rural communities to create jobs, develop business, and generate wealth through the identification and support of local emergent leaders.
- The Nebraska Development Academy, which provides educational opportunities for emergent leaders, existing leaders, and professional community and economic developers.
- The Economic Intelligence System, which gathers both business information to help develop programs and policies that are responsive to the needs of Nebraska businesses, and demographic and economic information on Nebraska communities for use by Network participants.

## **OPERATING STRUCTURE**

The Nebraska Department of Economic Development (DED) is the lead agency in coordinating the activities of the Nebraska Development Network, with the DED director serving as the network's director. The Network Forum, a board of directors composed of one representative from each organization committed to the network, provides strategic planning, resource allocation, and program evaluation. The lieutenant governor serves as the forum's chairperson.

## **ACCOMPLISHMENTS**

Nebraska Online service centers have been set up in forty-one libraries and online access and help desk support are available to system users. In 1994, the Nebraska Development Academy educational programs included Community Builders modules, Academy symposiums for regional groups, chamber of commerce mini-institutes, customized economic development workshops, and a Community Builders conference. Communities have benefited through new cooperative business ventures, the formation and revitalization of development corporations, the start up of a business information and technology center, a new business incubator, the opening of day care centers, the expansions and openings of manufacturing firms, and increased citizen participation and hope in the economic development process.

## **CONTACT**

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## **ARROWHEAD GROWTH ALLIANCE**

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### **PRIMARY PRINCIPLE: PARTNERSHIPS**

**SECONDARY PRINCIPLES: COMPETITIVENESS, EQUITY, GLOBAL ECONOMY, COMPREHENSIVE STRATEGY, REGIONAL COLLABORATION**

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### **PURPOSE**

The overall goal of the Arrowhead Growth Alliance (AGA) is to reinforce the competence of the current aggregate efforts of the members and to identify new ways to supplement those efforts. The AGA was established as a means to expand on the positive working relationships that have been growing between the region's development groups over the last several years.

### **HISTORY**

The AGA was formed in the summer of 1988.

### **PROGRAM DESIGN**

The AGA is an informal alliance composed of all the regional economic development entities that serve the seven-county region of northeastern Minnesota. It is structured to provide (1) a sounding board for new ideas, where members solicit reaction and input to their new initiatives; (2) a focal point for state and federal organizations to discuss and gain input on new programs they are formulating that will impact the region; (3) a forum for the exchange of information among the organizations about current activities and issues; (4) a mutually supportive environment where collaborative arrangements between members can be initiated; (5) an opportunity to examine what the members are learning about various aspects of economic development in northeastern Minnesota; and (6) a source for identifying means to supplement or expand existing efforts, based on experience and the needs being presented by clients. The AGA desires to actively engage all of the other local economic development organizations within the region in its activities. Various means for accomplishing this involvement are continually being pursued.

### **OPERATING STRUCTURE**

The AGA recognizes both the independence of each of its member organizations and the interdependence they require to successfully address the complex tasks of economic development. There is no defined structure, no officers, no budget, and no stationery. The regional focus and the continuity of membership help to develop the trust level and provide the thread that keeps the group together.

## **ACCOMPLISHMENTS**

The AGA has given members a chance to know each other and become familiar with the work going on in the region. They have bridged competing interests by developing unified proposals for projects. This has proven to be a wise strategic move for attracting resources. They are also able to identify where voids exist in economic development. New ideas emerge and are discussed by the group. Members of the AGA have also found that the collaboration of the region helps to provide a unified voice to the state legislature and a greater influence over state policy in identifying the needs of the region.

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## **NATIONAL RURAL DEVELOPMENT PARTNERSHIP**

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**PRIMARY PRINCIPLE:** PARTNERSHIPS

**SECONDARY PRINCIPLES:** COMPETITIVENESS, COMPREHENSIVE STRATEGY, CUSTOMER ORIENTATION, LEARNING

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## **PURPOSE**

The goal of the National Rural Development Partnership is to contribute to the vitality of the nation by strengthening the ability of all rural Americans to participate in determining their futures.

## **HISTORY**

The partnership was established through a presidential initiative in 1990 to promote greater collaboration and coordination in rural development.

## **PROGRAM DESIGN**

The partnership consists of representatives from five areas federal, state, local, and tribal governments, and the private sector (community-based, nonprofit, and profit organizations). These five "partners" identify and implement innovative approaches to the social and economic problems of the rural area. The partnership has a state and national component. The state component is the State Rural Development Councils (SRDCs), which have representatives from each of the five partners. The SRDCs are not a service delivery mechanism nor a channel for federal funds, but a forum for developing strategic responses to a state's rural needs. There are currently SRDCs operating in thirty-nine states. The national component is the National Rural Development Council (NRDC), which is composed of senior program managers from over forty federal agencies and representatives from public interest, community-based, and private sector organizations. The NRDC supports the SRDCs and works to improve the delivery of rural development resources.

## **OPERATING STRUCTURE**

Primary funding for the operating costs of the SRDCs comes through a federal-state match, with additional in-kind support from other participants. The SRDCs determine their own mission, structure, operating guidelines, and action plans. As a result, there is great variability among the SRDCs. The NRDC meets each month. Members also serve on task forces as issues arise at either the national or state level. A small full-time staff based in Washington works to coordinate the activities of the national and state partnership efforts. An electronic bulletin board was recently established to facilitate regular communication between all members of the partnership.

## **ACCOMPLISHMENTS**

The coordinating structures of the SRDCs and the NRDC have produced many notable accomplishments, three of which are described below.

The South Dakota Rural Economic Development Council identified an audit requirement in one agency's regulations that required an annual audit for all loans, despite other federal regulations calling for communitywide audits. For many rural communities, the cumulative annual costs of performing these audits added up to more than the amount of the loan itself over the life of the loan. The South Dakota Council uncovered this impediment and brought it to the attention of the NRDC, which successfully requested the elimination of the requirement for communities with annual gross incomes under \$500,000. This action will save rural communities an estimated \$16 million annually.

The Florida SRDC, together with the Florida Department of Commerce, the state Rural Economic Development Initiative, and a diverse citizens committee, has developed a rural one-stop shop for work force and economic development services. The one-stop center provides services for the Job Training Partnership Act, vocational rehabilitation, veterans services, Florida Job Service, youth programs, and others. Cross-trained personnel are available daily at the site. Prior to the opening of the center, rural citizens seeking employment and training-related services had to travel forty miles. Now residents of Madison County, one of Florida's poorest counties, can be served closer to home, and by a staff that is trained to meet more than just one need.

Through the South Carolina SRDC, federal, state, and local partners are collaborating on a three-county sewage treatment upgrade to accommodate business expansion, serve a new prison facility, and provide better services to new residents. Over 3,100 jobs were created as a result of completion of the first segment of the project in December. Implementation of the second segment will create 226 jobs and save 312 others. All those residing in the three-county area are receiving direct benefits from the increased tax base, the improved infrastructure, the potential new jobs and business, and other direct and indirect impacts of this activity.

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## **OREGON BENCHMARKS**

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**PRIMARY PRINCIPLE:** MEASUREMENT AND EVALUATION

**SECONDARY PRINCIPLES:** COMPREHENSIVE STRATEGY, CUSTOMER ORIENTATION, PARTNERSHIPS, LEARNING

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### **PURPOSE**

Oregon's benchmarks serve to guide the state "to a better future as a people, as a place, and as an economy" by establishing measurable action goals.

### **HISTORY**

In 1989, under the direction of former Governor Neil Goldschmidt, Oregon's Economic Development Department led the development of a twenty-year strategic plan for the state entitled Oregon Shines. The Oregon Progress Board, created by the legislature to serve as the "caretaker" of the strategic plan, was charged with developing a vision for the state and monitoring progress toward that vision.

### **PROGRAM DESIGN**

The Oregon Progress Board oversees the establishment of benchmarks for measuring indicators of performance related to the people, quality of life, and economy of the state. The most recent edition contains 259 benchmarks, with 19 considered "urgent" (short-term goals that need immediate attention) and 19 identified as "core" (fundamental, enduring goals that are vital to the continuation of Oregon's high quality of life).

The Progress Board emphasizes benchmarks that (1) measure outputs rather than inputs, (2) enable Oregon to be compared to other states and countries, (3) remain reliable over time, and (4) are based on data that can be gathered periodically from official data sources, physical measurement, or surveys. Some sample benchmarks are:

- The percentage of adults who have completed high school or an equivalent program will be 90 percent by 1995, 94 percent by 2000, and 97 percent by 2010.
- Oregon's real per capita income as a percentage of the U.S. figure will be 95 percent by 1995, 100 percent by 2000, and 110 percent by 2010.
- Small business start-ups per 1,000 population will be 3.0 by 1995, 3.2 by 2000, and 3.5 by 2010.

## **OPERATING STRUCTURE**

Nine members serve on the Oregon Progress Board, representing public, private, and nonprofit organizations. The board is chaired by the governor and has two full-time professional staff from the Economic Development Department. Oregon benchmarks are updated and revised every two years through an extensive review process. In the summer of 1994, the Progress Board mailed requests for comments on the benchmarks to over twelve thousand individuals and organizations statewide.

## **ACCOMPLISHMENTS**

The benchmarks have been widely endorsed throughout the state and have been used extensively for planning and evaluation purposes. Benchmarks have been incorporated into state program and budget priorities, applied in state agency strategic planning efforts, used by the legislature to hold agencies accountable for performance, and adopted by local governments and nonprofits to determine their own priority actions. The Oregon Progress Board reported in the third edition of its benchmarks report (1994a) that it had distributed more than 53,000 copies of the previous second edition.

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## **SOUTHERN GROWTH POLICIES BOARD -- MEASURE BY MEASURE**

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**PRIMARY PRINCIPLE:** MEASUREMENT AND EVALUATION

**SECONDARY PRINCIPLES:** COMPETITIVENESS, EQUITY, COMPREHENSIVE STRATEGY, GLOBAL ECONOMY, REGIONAL COLLABORATION, PARTNERSHIPS, LEARNING

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## **PURPOSE**

The Southern Growth Policies Board is charged with creating strategies for economic development that address the diverse, interrelated factors affecting the South's economic base. The board complements traditional approaches to economic development with innovative strategies to strengthen the communities of the region.

## **HISTORY**

The Southern Growth Policies Board was created by the region's governors in 1971. Thirteen southern states Alabama, Arkansas, Florida, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Virginia, and West Virginia and the Commonwealth of Puerto Rico participate in the work of the board. Every six years since 1974, the board has assembled a blue-ribbon commission on the future of the South, appointed by the governors, to identify goals and objectives that will form a policy agenda for the region. The 1992 commission's final report entitled Measure by Measure: The South Will Lead the Nation,

identifies twelve regional objectives and encourages state and local governments in the South to measure and assess the actual outcomes of their policies and programs.

### **PROGRAM DESIGN**

The twelve regional objectives identified by the 1992 commission form the core of the board's work plan. The board is carrying out projects to identify best practices in economic development in the South, promote regional cooperation, and increase communication among economic development agencies. Other board projects involve working with state and local governments to link strategic planning with performance measurement, harmonizing the region's telecommunications regulations, strengthening the role of the region's historically black colleges and universities in entrepreneurial development, and building a database of regional development information.

### **OPERATING STRUCTURE**

Each participating state has five members on the board: the governor, a state senator, a state representative, and two citizens appointed by the governor. The gubernatorial, legislative, and private sector membership gives the board a unique ability to create and disseminate successful development strategies. Major southern corporations, universities, local development districts, and other organizations also participate in the work of the board as associate members.

### **ACCOMPLISHMENTS**

The board's policy recommendations and model programs assist state and local leaders as they work to develop the region's economy and its people. Through its newsletters, publications, and the meetings and conferences that bring together some of the South's most interested, concerned, and distinguished citizens, the board is a major influence in shaping both regional and national economic and social policies.

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### **LITTLETON NEW ECONOMY PROGRAM**

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**PRIMARY PRINCIPLE:** LEARNING

**SECONDARY PRINCIPLES:** COMPETITIVENESS, CUSTOMER ORIENTATION,  
PARTNERSHIPS, MEASUREMENT AND EVALUATION

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### **PURPOSE**

The city of Littleton, a suburb of Denver, Colorado, has combined the research skills of a reference librarian with sophisticated information technology to help Littleton companies stay competitive. The program seeks to bring Littleton companies information about the best ideas,



practices, and technology that are directly applicable to their problems, and to provide this information in a timely and cost effective manner.

## **HISTORY**

In 1990, the Center for the New West, a Denver-based economic and policy think tank, helped Littleton, Colorado, pioneer a new approach to economic growth. Using the theories of cutting edge economists Paul Romer and Brian Arthur, Littleton developed a program to create jobs, wealth, and opportunity in the community by nurturing its local companies. The New Economy Program is called "economic gardening," an alternative to economic hunting or recruiting.

## **PROGRAM DESIGN**

The New Economy Program is involved in three primary activity areas:

- **New Economy Seminars.** These seminars are a compendium of the best ideas and practices found nationwide. They cover customer service, temperament, total quality management, systems thinking, strategy building, and other cutting-edge issues.
- **World Class Research.** Using computer databases, CD-ROMs, the Internet, and other first-class information tools, the staff can find information and solutions to most business problems within hours. The most common requests are for the creation of marketing lists; finding financial information on customers, partners, and competitors; building company dossiers; tracking industry trends; and spotting product research and new product releases.
- **Community Building.** Long-term community building consists of constant attention to community basics: good schools, an educated work force, well-kept neighborhoods and parks, well-maintained streets, and a low crime rate. Littleton has also focused on building the intellectual infrastructure that companies of the future will need: education, training, communications facilities, and research institutions.

## **OPERATING STRUCTURE**

The New Economy Program is a joint project of the city of Littleton and the Center for the New West. The program is managed and staffed by the city's Business/Industry Affairs department, which allocates approximately 75 percent of its \$239,000 annual budget to the New Economy Program. The staff consists of a director, economic intelligence specialists, and a data manager-secretary.

## **ACCOMPLISHMENTS**

Using seven commercial database services, which include more than one thousand databases, the Littleton staff are able to research hundreds of thousands of publications worldwide within a matter of minutes. The Internet also puts the staff into personal contact with people around the world and provides access to thousands of special interest news groups. The city also maintains local databases on available land and buildings, local businesses, and over seventy fact sheets about the community. As part of the New Economy project, Littleton established the Colorado Center for Software Engineering, participated in creating a curriculum for telecommunications with the local community college, had engineering classes from the University of Colorado microwaved to the local library, established relationships with the Manufacturing Excellence Center to assist local industry, and worked closely with the high school vocational education program. The program also trained businesses in the use of the Internet and computer database searches.

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## **MINNESOTA DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT BUSINESS TRACKING SYSTEM**

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**PRIMARY PRINCIPLE:** LEARNING

**SECONDARY PRINCIPLES:** COMPETITIVENESS, REGIONAL COLLABORATION,  
INDUSTRIAL FOCUS, CUSTOMER ORIENTATION, MEASUREMENT AND  
EVALUATION

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## **PURPOSE**

The business tracking system (BTS) developed by the Minnesota Department of Trade and Economic Development (DTED) examines the dynamics of business growth and decline in Minnesota, providing for a better understanding of the process of job creation and of the competitive position of the various regions of the state. The BTS documents the ebb and flow of business activity in Minnesota by tracking business start-ups and failures, and major expansions and contractions around the state. While net employment change statistics are widely available and very useful, they do not reveal the "churning" of business activity as jobs are created and lost in the economy. Information about this underlying activity provides a clearer picture of the vigor of Minnesota's regional economies. The BTS also tracks Minnesota manufacturers that have ceased operations in Minnesota, including those that have moved out of the state, to determine the cause of those dissolutions or relocations.

## **HISTORY**

DTED used to receive state level business births and deaths data from the U.S. Small Business Administration. The original data source was Dun and Bradstreet Market Identifier Master File. Similar state statistics were produced from unemployment insurance data (ES-202) by the University of Wisconsin, state of New Jersey, and other research groups in various states. DTED began analysis of the ES-202 data in early 1991 and drew upon experiences in Wisconsin, New Jersey, and other states to develop the tracking system.

The first business tracking system report was printed in November 1992 and covered the first quarter of 1992. The report has been issued each quarter since then. Included in the quarterly reports are survey results of manufacturing deaths and out-migration. A special issue in September 1994 presented annual compilations for 1993 and 1992. Each quarter, confidential reports with great detail on business births, deaths, expansions, contractions, and out-migration are prepared for DTED staff.

## **PROGRAM DESIGN**

The DTED business tracking system is based on information and data files provided by the Research Division and Tax Division of the Minnesota Department of Economic Security, including quarterly employer reports to the reemployment insurance program (ES-202). The data cover approximately 97 percent of nonagricultural wage and salary employment in Minnesota. Those excluded from ES-202 are the self-employed, railroad workers, most farmers, commission agents, students, religious workers, and elected government officials. Manufacturing dissolutions are identified and surveyed to determine the cause of dissolutions, including those that moved out of the state. The DTED quarterly report is issued approximately eight months after the close of the quarter covered. The BTS records the number of births, dissolutions, expansions, and contractions of both business establishments and jobs in the state.

## **OPERATING STRUCTURE**

DTED works with the assistance of the Research and Statistics Office and Data Processing Office of the Department of Economic Security to develop the business tracking report. Data processing, analysis, and report generation are all done on microcomputers in DTED. Several computer programs and database routines were written to facilitate data verification and analysis. Commercial software such as Rbase, Lotus 1-2-3, WordPerfect, and Windows are also used to prepare the reports.

## **ACCOMPLISHMENTS**

The BTS provides an interior tracking system that helps the state understand what industries are growing or declining and where job creation is occurring. Information is compared quarterly within regions. The BTS also attempts to identify why business leave the state, which helps the state understand what can be done to retain companies. The state legislature also requires DTED to determine and describe the businesses that leave the state.

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## **RESOURCES**

The following individuals contributed to the development of the ten emerging principles and pilot tests of the assessment tool presented in this report by participating in a series of roundtables, focus groups, and interviews conducted by the State and Local Policy Program. We are grateful for their input.

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### **ROUNDTABLES ON EMERGING ECONOMIC DEVELOPMENT STRATEGIES - PHONE CONFERENCES AND MEETINGS AT THE HUMPHREY CENTER, JANUARY 1994**

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#### **PHONE CONFERENCE, JANUARY 18, 1994**

- Robert Atkinson  
Congressional Office of Technology Assessment
- Walt Plosila  
Suburban Maryland/Montgomery County Technology Council
- Dewitt John  
National Academy of Public Administration
- Janet Jones  
Key Industries  
Oregon Economic Development Department
- Helen Ladd  
Sanford Institute of Public Policy  
Duke University

#### **MEETING AT THE HUMPHREY CENTER, JANUARY 19, 1994**

- Frank Altman  
Community Reinvestment Fund
- Ragui Assaad  
Humphrey Institute  
University of Minnesota
- James Buckman  
Carlson School of Management  
University of Minnesota
- Genie Dixon  
St. Paul Tomorrow Project
- Christina Gilchrist  
Alexandria Area Economic Development
- Roger Hughes  
Jobs Skills Partnership  
Minnesota Department of Trade and Economic Development

- Joseph Kingman  
St. Paul Tomorrow Project
- Jacques Koppel  
Minnesota Technology, Inc.
- Robert Kudrle  
Humphrey Institute  
University of Minnesota
- Scott Loveridge  
Agriculture and Applied Economics  
University of Minnesota
- Wilbur Maki  
Agriculture and Applied Economics  
University of Minnesota
- Abigail McKenzie  
Information, Analysis and Evaluation  
Minnesota Department of Trade and Economic Development
- William McMahan  
Minneapolis Planning Department
- The Honorable Myron Orfield  
Minnesota House of Representatives
- Arthur Rolnick  
Federal Reserve Bank of Minneapolis
- Jerry Schwinghammer  
Minneapolis Planning Department
- Lyle Wray  
Citizens League of the Twin Cities
- Rebecca Yanisch  
Minneapolis Community Development Agency

**PHONE CONFERENCE, JANUARY 21, 1994**

- Joseph Cortwright  
Oregon Joint Legislative Committee on Trade and Economic Development
- John Kline  
School of Foreign Service  
Georgetown University
- Robert Friedman  
Corporation for Enterprise Development
- Graham Toft  
Indiana Economic Development Council



## **MEETING AT THE HUMPHREY CENTER, JANUARY 25, 1994**

- Peter Benner  
American Federation of State, County and Municipal Employees
- William Byers  
Metropolitan Council of the Twin Cities
- Candace Campbell  
Humphrey Institute  
University of Minnesota
- Randy Cantrell  
Minnesota Extension Service/Humphrey Institute  
University of Minnesota
- Robert de la Vega  
Norwest Corporation
- Charles Denny  
Humphrey Institute  
University of Minnesota
- Patricia James  
St. Paul Department of Planning and Economic Development
- Thomas Luce  
Humphrey Institute  
University of Minnesota
- David Powers  
Minnesota Higher Education Coordinating Board
- Dottie Rietow  
Metropolitan Council of the Twin Cities
- Sandra Scott  
Greater Minneapolis Chamber of Commerce
- Thomas Triplett  
Minnesota Business Partnership

## **PHONE CONFERENCE, JANUARY 27, 1994**

- Timothy Bartik  
Upjohn Institute
- Marianne Clarke  
National Governors' Association
- R. Scott Fosler  
National Academy of Public Administration
- Richard Hage  
Economic Development Administration  
U.S. Department of Commerce
- David Harrison  
Northwest Policy Center  
University of Washington

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**MINNESOTA REGIONAL ROUNDTABLE ON EMERGING PRINCIPLES - PHONE CONFERENCE, MARCH 2, 1995**

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- William Coleman  
Minnesota Department of Trade and Economic Development
- Randy Hilliard  
Region Five Development Commission
- H. Eugene Hippe  
Mid-Minnesota Development Commission
- Randy Jorgenson  
Southwest Regional Development Commission
- Paul Michaelson  
Upper Minnesota Valley Regional Development Commission
- John Ostrem  
Headwaters Regional Development Commission
- Kathy Thunem  
Northwest Regional Development Commission

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**MINNESOTA REGIONAL ROUNDTABLE ON EMERGING PRINCIPLES - PHONE CONFERENCE, MARCH 4, 1995**

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- Kris Julier  
Region Nine Development Commission
- John Sullivan  
East Central Regional Development Commission

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**STATE ROUNDTABLE ON EMERGING PRINCIPLES - PHONE CONFERENCE, MARCH 4, 1994**

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- Jeffrey Blodgett  
Connecticut Department of Economic Development
- Robert De Mauri  
Virginia Department of Economic Development
- Galen Fox  
Hawaii Department of Business, Economic Development and Tourism
- Craig Hartzler  
Indiana Department of Commerce
- James Heidel  
Mississippi Department of Economic and Community Development
- Timothy Houchen  
Oregon Progress Board
- Michael West  
Texas Department of Commerce

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## **REGIONAL FOCUS GROUPS ON EMERGING PRINCIPLES AND PILOT TESTS OF BENCHMARKING TOOL**

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### **ARROWHEAD GROWTH ALLIANCE - DULUTH MINNESOTA, APRIL 6, 1994**

- Curt Antilla  
Iron Range Economic Alliance
- Phil Bakken  
Iron Range Resources and Rehabilitation Board
- Bill Coleman  
Minnesota Department of Trade and Economic Development
- John Elden  
Northland Institute
- Henry Hanka  
Arrowhead Regional Development Commission
- Bruce Hendrickson  
Advantage Minnesota
- Kjell Knudsen  
University of Minnesota/Duluth
- Randy Lasky  
Northspan Group, Inc.
- Mary Matthews  
Northeast Enterprise Fund
- Andrew McDonough  
Seaway Port Authority
- Tom Cotruvo  
City of Duluth
- Mark Phillips  
Minnesota Power
- Dennis Wain  
Northeast Minnesota Office of Jobs and Training
- Scott Martin  
United Power Association

### **REGION FIVE - BRAINERD, MINNESOTA, APRIL 29, 1994**

- David Hardie  
Central Minnesota Initiative Fund
- Randy Hilliard  
Region Five Development Commission
- Pam Thomson  
Brainerd Small Business Development Center
- Sheila Wasnie Haverkamp  
Brainerd Lakes Area Development Corporation

**NORTHWEST (REGION 1) AND HEADWATERS (REGION 2) - THIEF RIVER FALLS, MINNESOTA, MAY 5, 1994**

- Peg Braaten  
Minnesota Extension Service
- Wayne Caughey  
Mid-Minnesota Community Development Corporation
- Jean Downing  
Northwest Minnesota Initiative Fund
- Leon Heath  
Northwest Regional Development Commission
- Susan Kozajed  
Bemidji Small Business Development Center
- Toni Merdan  
Congressman Colin Peterson's Office
- John Ostrem  
Headwaters Regional Development Commission
- James Richten  
Economic Development Administration
- Terry Stallman  
Thom Consultants
- Kathy Thunem  
Northwest Regional Development Commission
- Kathy Tuirle  
Red River Trade Corridor, Inc.
- Deborah Zak  
Minnesota Extension Service

**EAST CENTRAL (REGION 7E) - MORA, MINNESOTA, MAY 6, 1994**

- Lawrence Collin  
East Central Regional Development Commission
- Jeanne Endahl  
Central Minnesota Initiative Fund
- Arleen Heins  
City of Ogilvie
- Gregory Hohlen  
Mille Lacs Community Development Corporations
- Richard Jackson  
Mille Lacs County Commissioners
- Mary Schwartz  
East Central Regional Development Commission and City of Mora
- John Sullivan  
East Central Regional Development Commission
- Ronald Thilman  
Minnesota Power  
Northern Pine County Economic Development Corporation

- Sandra Voigt  
Minnesota Technology, Inc.

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## **STATE PILOT TESTS OF BENCHMARKING TOOL - PHONE CONFERENCE, SUMMER 1994**

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- Art Ayre, Timothy Houchen, and Janet Jones  
State of Oregon
- Jeffrey Blodgett and Andrea Ferrar  
Connecticut Department of Economic Development
- Robert De Mauri  
Virginia Department of Economic Development
- Galen Fox  
Hawaii Department of Business, Economic Development and Tourism
- Denton Gibbs and Bill McGinness  
Mississippi Department of Economic and Community Development
- Graham Toft  
Indiana Economic Development Council
- Michael West  
Texas Department of Commerce

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## **PERFORMANCE MEASUREMENT AND ECONOMIC DEVELOPMENT PROGRAMS AT THE CITY LEVEL - PHONE CONFERENCE, AUGUST 11, 1994**

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- Timothy Bartik  
Upjohn Institute
- Richard Hage  
Economic Development Administration  
U.S. Department of Commerce
- Craig Garhard  
Prince William County Office of Executive Management
- David Krieter  
Phoenix Community and Economic Development Department
- Martha Marshall  
Prince William County Office of Executive Management
- William McMahan  
Minneapolis Planning Department
- Abigail McKenzie  
Minnesota Department of Trade and Economic Development
- Michael Ogen  
Portland Development Commission
- Mark Vander Schaaf  
St. Paul Planning and Economic Development Department