

Communicating Up: Selling New Development Strategies

By

Erik R. Pages
EntreWorks Consulting
Arlington, Virginia
USA

Article Published in: Agenda for Local Economic Development (UK), Issue No. 69, July 2004. Available at www.cobwebinfo.com

When you look at the history of economic development policy in the developed world, you are really looking at a history of business recruitment. Build a nice building, clear some land, cut some red tape, throw in some tax breaks, and wait for business to come to town. First begun in the southern parts of the US in the 1930s, this strategy had many advantages. And, even better, it worked. Thanks in part to business recruitment (and air conditioning), the Southern US has boomed. The old industrial heartland (often called the Rustbelt) has been overtaken by the Sunbelt.

While this legacy contains much cause for pride, it has also created a challenging dilemma for advocates of new and innovative approaches to economic development. It has nurtured the idea that economic development comes from somewhere else. Instead of looking within, community leaders look for salvation from somewhere else---perhaps from a big government grant, perhaps by the arrival of a new manufacturing facility.

At the same time, this traditional model has also nurtured the idea that economic development is about business recruitment. Even many so-called new ideas, such as technology development in the 1980s and cluster development in the 1990s, have been implemented (often inappropriately) as new forms of business recruitment strategies. So, in the 1980s, economic developers recruited semiconductor firms as their new technology strategy. In the 1990s and today, biotech firms are recruited in the name of cluster development.

These patterns create a challenging situation for those who are seeking to promote economic development in a different way. If you're an advocate for entrepreneurial development (my passion), urban regeneration schemes, or nurturing the Creative Class (ala Richard Florida), you need to pursue these goals in a different way.

The basic dilemma is a simple one: political cycles rarely coincide with business cycles. Mayors, legislators, governors and prime ministers must regularly stand

for election or re-election, sometimes every two years. Meanwhile, fostering systemic economic change at the local level may take decades. Politicians need “big wins”, like a major plant opening, quickly, yet we are ill equipped to provide them with these short-term credit claiming opportunities.

How can we respond? One way is to simply hope that some big wins will show up along the way. This explains some of the appeal of cluster development strategies. While the strategy is quite nuanced and complex, politicians have embraced it as a way to recruit the next big thing in nanotech or biotech. For example, in the US today, forty state governments have targeted life sciences cluster strategies. These policies often talk about developing home-grown biotech talent, but the real prize is recruiting a big life-sciences facility like the Florida-bound Scripps Institute which is receiving more than \$500 million in public support.

A more effective strategy is to be both honest and media-savvy. Honesty requires that politicians are educated about the real timeline for effective economic development. Building businesses takes time and building a vibrant business community takes longer.

One effective strategy for conveying this message involves bringing politicians along for the ride. Don't simply view public officials as cash registers, spitting out grants and other types of financial support. Create real partnerships that put legislators into key board positions and require that they participate in key planning and implementation decisions. For example, in Fairfield, Iowa (pop. 10,000), the mayor is both a founder and board member of the local entrepreneur's association. Thanks to this affiliation, the needs of new Fairfield businesses are generally high on his priority list of concerns.

While being honest with stakeholders, we also need to be honest with ourselves and acknowledge our own shortcomings. First, we must get our own house in order by eliminating turf wars between various support providers. Building a single coalition (even a virtual one) under a single brand should be an important strategy. For example, in Cleveland, the Fund for our Economic Future is uniting 50 foundations around a strategy that streamlines and consolidates business support services in the Northeast Ohio region. The region currently has dozens of public and non-profit organizations that purport to “support entrepreneurs.” These service providers compete with one another for funds and for customers, and this competition wastes resources and often confuses business owners. The Fund initiative will work to consolidate these existing organizations so that larger investments can be provided to a smaller, more focused group of service providers. Economies of scale should result.

Second, we need to do a better job of tracking and measuring our progress. Too many innovative economic development concepts are sold on the basis of “Trust me.” We need rigorous performance metrics that track progress and also allow

funders to compare the return on investment from differing economic development strategies. The field of entrepreneurial development is currently in the midst of such an effort. In 2002, my colleague Ken Poole and I surveyed leading US entrepreneurship programs and found that many programs avoided performance measurement. Those that did use such measures simply grafted inappropriate metrics---short-term job creation—from old business recruitment strategies. As a result of this research and other work, a major initiative to more effectively track entrepreneurial development activities is under way.

Honesty is helpful but it's not enough. Politicians still need to get elected, and they need to deliver results to do so. If we can't deliver an immediate infusion of jobs, we can offer other opportunities to generate media coverage and build connections with local business leaders. Instead of promising a "big win," offer "mini-wins." In the case of entrepreneurial development strategies, this approach has taken several forms. Many American regions now sponsor "Entrepreneur of the Year" awards that recognize local business leaders. At the national (and international) level, the Ernst and Young Entrepreneur of the Year Award serves a similar purpose. This simple tool provides a low cost way to honor business leaders, recognize community progress, and involve elected officials in local events. Similar benefits come from business plan competitions for youth or adults.

Many US communities also engage stakeholders in recognizing local businesses at key milestone points. A blue ribbon cutting does not need to be restricted to the new factory opening—the same device works just as well at the opening of new restaurant or auto repair shop. One can even generate media around milestones like receiving a new round of financing or opening a new office.

These opportunities create interaction and from interaction comes learning. Local businesses get to know elected officials and may become more willing to reach out for help when needed. Meanwhile, elected officials better understand the unique needs of new business owners and also get a more realistic picture of the local economy. This in turn makes them more amenable to a longer-term, more innovative economic development strategy.

One last point---effective communications requires a major commitment of time and resources. Many economic development leaders respond that they are simply "too busy doing the work" to engage in public relations or media outreach. But public outreach is "the work." If you are unable to effectively promote new ideas, politicians and other stakeholders will simply revert to old practices. If we want them to act differently, we must also begin acting differently ourselves.