

# Community Economic Development: The Basics



*Your county  
extension office*



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A FIVE-YEAR PLAN FOR NEW JOBS

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# 1. What is Community Economic Development?



# Community Economic Development

“The process of identifying and analyzing economic issues and the creation and implementation of a set of specific policies aimed at enhancing the economic opportunities of community residents.”

Steve Deller

# Common Themes in Definitions

- process, as opposed to "putting out fires"
- citizen involvement => citizen "solutions"
- Educational
- vitality, betterment, quality of life
- economic opportunities
- change

What is the difference between  
*Development* and *Growth*?

*Growth* implies quantitative change

*Development* emphasizes qualitative  
improvements

Development can include growth  
but not necessarily vice versa

## Growth

- We want more jobs
- We want more businesses
- Any growth is good
- We want more tax base
- We want more residents

## Development

- We want quality of life
- We want economic security
- We want economic opportunities
- We want resilience
- We want balanced growth

If your community is adding jobs but the average earnings per worker are declining, is that growth or development?

If the local chamber of commerce provides effective mentoring services to new local small business owners, is that growth or development?



*Community Development*: building community assets & institutions

*Economic Development*: creating economic opportunity

***Community Economic Development*** is a blending of the two by recognizing that economic development is impossible without a solid community development foundation



## 2. Ideas About Economic Growth



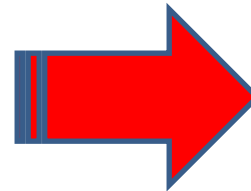
# “Waves” of Economic Development Thinking.....

## **First Wave: Focused on the cost of doing business.**

(Mississippi Balance Agriculture with Industry Act (BAWI) policies of the Great Depression era)

### The “cost of doing business”?

1. Low taxes
2. Low regulations
3. Cheap land
4. Cheap labor



**A “Good”  
Business  
Climate**

“Waves” of Economic Development Thinking.....

**First Wave: Focused on the cost of doing business.**

(Mississippi Balance Agriculture with Industry Act (BAWI) policies of the Great Depression era)

Strategies è Focus on business recruitment  
(aka smoke stack chasing)  
(the “new” war between the states)

Tax incentives, give-aways, limit regulations.

# “Waves” of Economic Development Thinking.....

## **Second Wave: Focus on existing businesses and small business development.**

- Business Visitation Programs
- Identifying Sources of Capital
- Work Force Training
- Business Management Education
- Technology Transfer Program
- Business Feasibility Assistance
- New Business Counseling

# “Waves” of Economic Development Thinking.....

## **Third Wave: Focus on public-private partnerships and regional cooperation.**

- creating networks to:
  - leverage capital resources
  - leverage educational opportunities
  - facilitate business opportunities
  - coordinate investments in public services

## **Fourth Wave of Economic Development Strategies:** *Sustainable Local Economic Development (SLED)*

- Considers the range of economic development options and “prioritizes those approaches that yield, social, economic and environmental benefits together, rather than one benefit at the expense of another” (Newby 1999, pg. 68);
- Emphasis on *development over growth*. Challenges the assumption or mindset that economic benefits are automatically good for society (negative externalities);
- Economy is built on diversity and self-sufficiency rather than one built on exports;
- Strategies and tools include development of “green” businesses, energy efficiency incentives, self-employment/local employment preferences, building/site rehabilitation, etc.;

Other Sources: Jepson and Haines (2003), Blakely and Leigh (2013)

# Location Theory

This is a complex subject. It addresses questions of what economic activities are located where and why,

Location theory is tied to the idea of “business climate”

## ***Business Climate:***

The environment of a given community that is relevant to the operation of a business.

## Business Climate:

Increasingly, firms are looking for:

- q High quality infrastructure (broadband)
- q Quality public services such as police/fire protection
- q Skilled labor
- q Consistency in rules-regulations
- q Generally high quality of life characteristics

and not only offer low cost alternatives for the firm but, more importantly, offer a viable comparative advantage over other locations.



What complicates the problem is that firms in different industries look at different factors...

Whenever someone says X is good for business, the proper reply is a question:

Which one?

Beware of generalizations and blanket statements

Business Climate also has to do with the

“attitude of the community”;

- Willingness to work together
- Willingness to experiment
- Willingness to learn from mistakes
- Willingness to look within

# “Community entrepreneurs”

mobilizers of networks

They can mobilize internal networks within the community as well as external networks



**GET  
EXCITED  
AND  
MAKE  
THINGS**

# 3. Fog



## The Policy Clash

With the divisive nature of modern politics  
and

The rapid dissemination via the media-verse  
Of simplified news coverage

Our local vision of what we want here is  
clouded with a fog of other people's views  
on what we need...

We have to see through that fog

Instead, we need to study the local needs and conditions, study the facts and analyze to learn what we need.

and work to fulfill our own vision of the future

The question is not what is good for business.

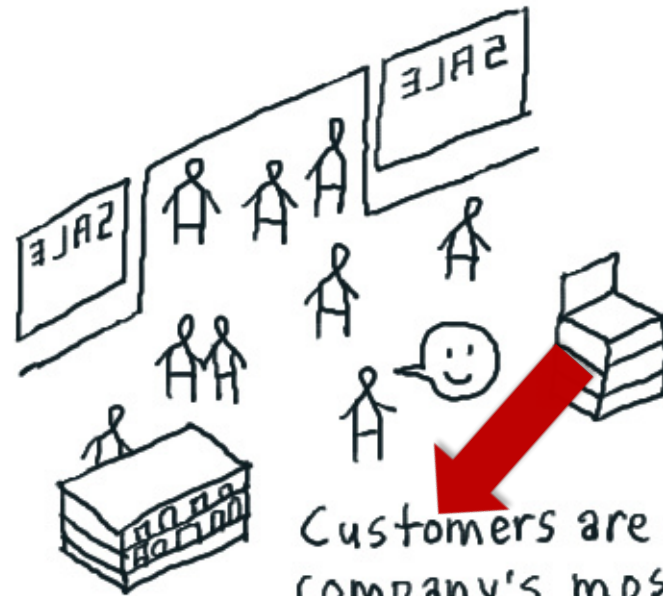
The question is:

What is good for what/which business ?

And, what is good for all of us in the community?



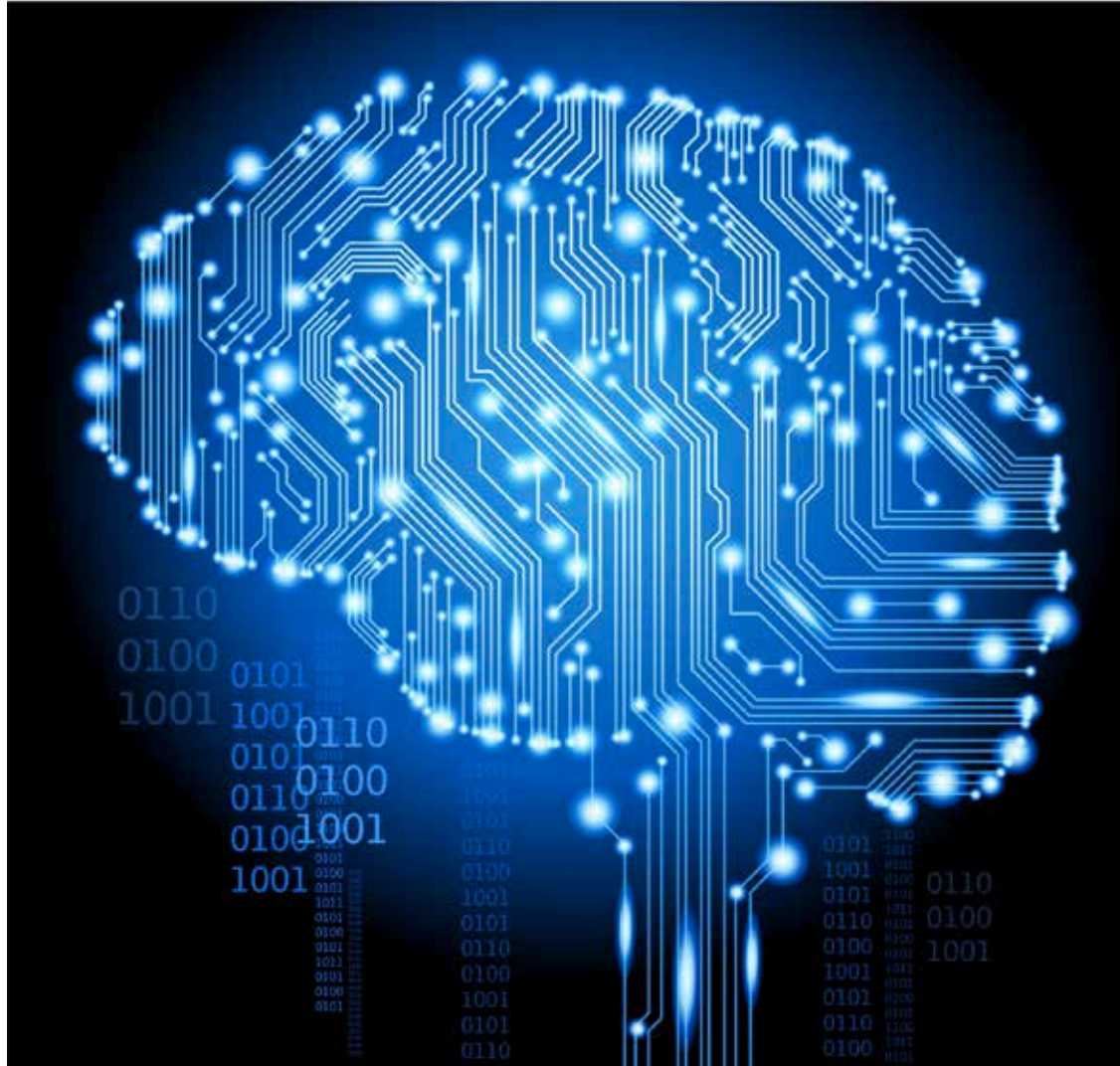
# Who creates jobs?



Customers are any company's most critical asset.



# 4. Data



One of the most important roles for Extension educators is the bringing of research based information into the community decision-making process.

This can be tapping into existing research generated by others or this can be original research aimed at helping the community better understand local economic conditions.



# Looking at data

- Looking for Patterns
- Looking for Comparisons
- Looking for Challenges – Surprises
- Looking over Time
- Looking for Insights, Not Precision

Many Sources – Formal and Informal  
(Informal / local knowledge)

**Data** here includes things such as employment and income, retail sales, property values, and number of businesses.

**Information** is the transformation of that data using such tools as growth indices, location quotients, pull factors and others.

**Knowledge** comes from interpreting those data and coming to better understand the local economy.

**Innovation** comes from the insights from that knowledge which is turned into action.

# 5. Paradigm



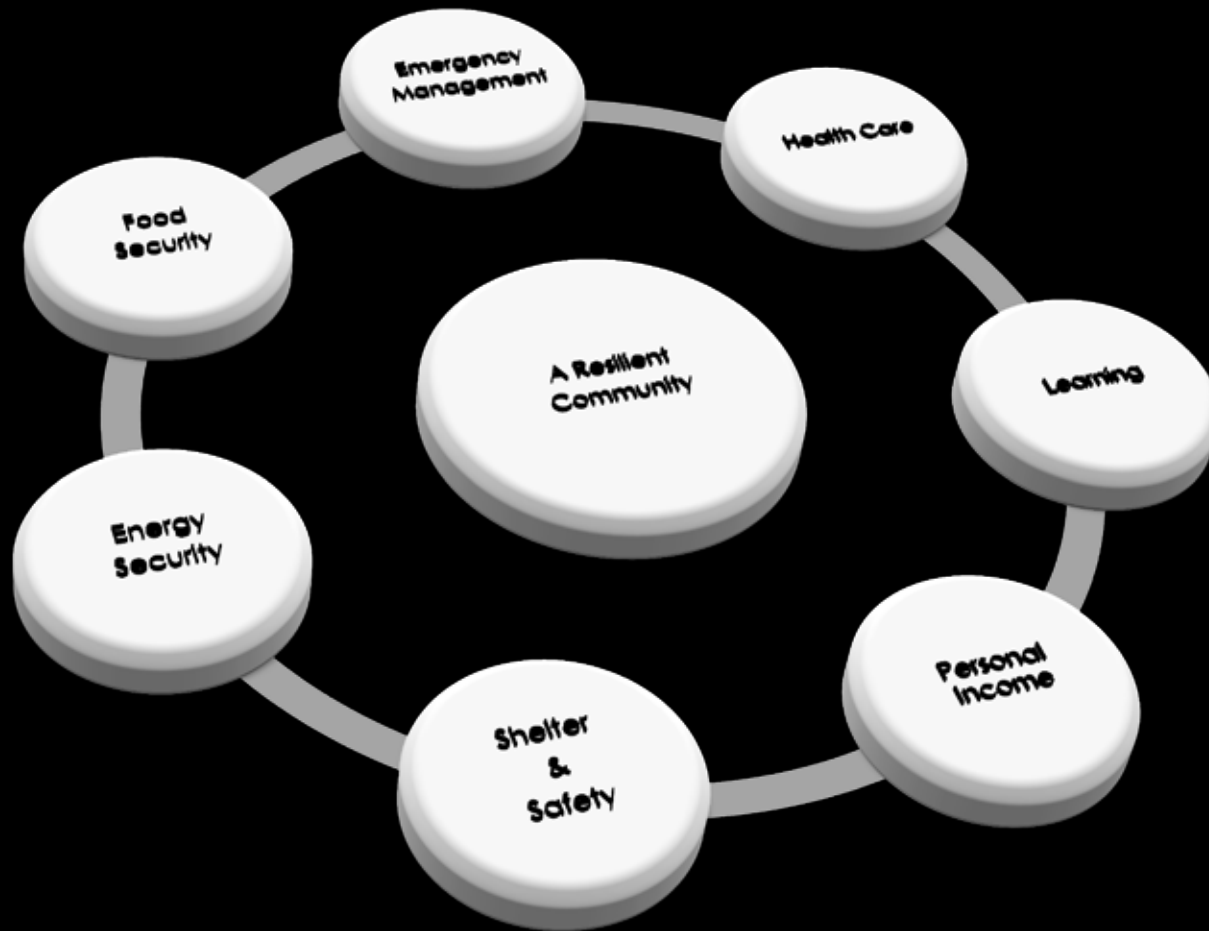
# Flora's Community Capitals

In studies of rural communities by Jan and Neil Flora, they identified seven types of "capital", assets or resources that are part of any community.

Each is part of what defines the community

Investing in each can improve the community's economic and social life







# Being Strategic

Including the entire community in the strategic design process

Intentionally designing programs and actions that interact with and support each other to move the community towards what the community wants.

Short term projects and ongoing projects designed to fit together and support the attainment of the vision the community has for itself

The action's outcomes are measurable

# 6. Strategies



90% of the population of the  
United States lives in 60 counties



Milwaukee County is the only  
County in Wisconsin in that list

***Did You Know*** (4:58 minutes)

<https://www.youtube.com/watch?v=-5EeFNeQiW4>

Attracting  
New  
Basic  
Employers

**New Business  
Formation  
( Entrepreneurship )**

**Improving Efficiency of  
Existing Businesses**

**Retention & Expansion  
of Existing Businesses**

**Workforce Development**

**Local Business Resiliency**





# Local Business Resiliency

This is to provide help the community as a whole maintain itself in the face of economic downturns and shifts. This is to have a foundation to rebuild from and support adaptation to change.

While some post-tornado devastation small communities (such as Greensburg, Kansas) have made it the central core of planning, it can also be used as part of a multi-part strategy, providing a foundation to our development pyramid.



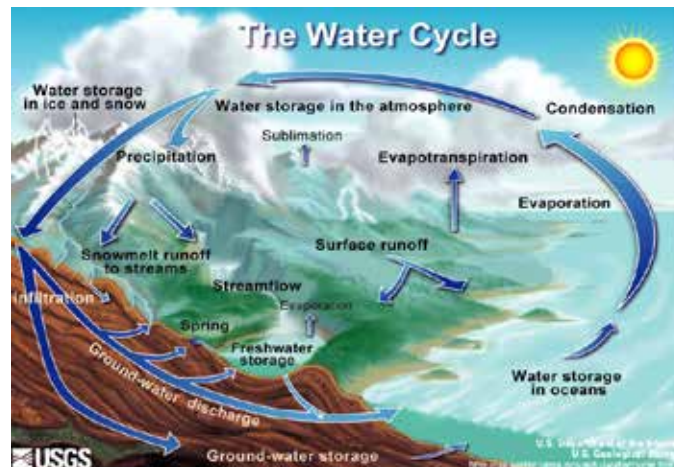
# Local Business Resiliency

- Encourage a high diversity of businesses, both as to size and type
- Encourage the development of basic life skills, such as gardening, animal husbandry and food preservation. Things that not only help a family in hard times, but could also launch new entrepreneurs
- Encourage the investment of local money, locally
- Buy local
- Maintain a local “safety net”



# Local Business Resiliency

- Encourage development and expansion of businesses that provide goods & services that currently are mostly imported from outside the community
- Maintaining and improving the quality of the community's water and soil





# Local Business Resiliency

## Example

GREENSBURG  
GreenTown™



YOUR SOURCE FOR EVERYTHING GREEN IN GREENSBURG, KANSAS

[http://en.wikipedia.org/wiki/Greensburg,\\_Kansas](http://en.wikipedia.org/wiki/Greensburg,_Kansas)

<http://www.usatoday.com/story/news/greenhouse/2013/04/13/greensburg-kansas/2078901/>

Example: of base plus the other pyramid elements: California





# Workforce Development

- In “community” economic development, workforce development is primarily a place based strategy
- Healthy residents = healthy workers
- Financially secure families with quality time = motivated workers
- Solid, well funded education resources in the community, from K-12 through technical and four year college



# Workforce Development

- Collaboration between the business community and the education community
- In a place based strategy a “social problem” is also a workforce development problem





## Retention & Expansion of Existing Businesses

A number of studies have documented the net new job growth attributable to existing businesses. Whether these studies looked at state or national data, all concluded that job growth from existing businesses far exceeds job growth that was the result of industry attraction.

Up to 80 percent of net new job growth comes from existing businesses. Today, virtually every economic development organization uses that percentage when asked about the importance of existing businesses to his/her community.

In *Retention First, Ohio's Challenge* the author reported average Ohio job growth of 70 percent from existing businesses, with rural areas experiencing as much as 86 percent of net job growth from existing businesses.



## Retention & Expansion of Existing Businesses

- Existing businesses invest in the community
- Existing businesses are your best ambassadors for industry recruitment

### Tactics:

- Advancing in your workforce development efforts
- Local financial resources, banks in particular have a preference for local and a mission to build the local economy
- Business visit programs



## Retention & Expansion of Existing Businesses

### Tactics:

- Business surveys
- Business and workforce advisory groups
- Emergency team to help “fix” a local business in trouble
- Building strong community support for local businesses and also for those businesses that support existing businesses



## Retention & Expansion of Existing Businesses

### Tactics:

- Consumer survey assistance for the smaller businesses
- Marketing assistance for the local small businesses
- A coherent marketing plan and branding for the whole community
- Educational opportunities for small businesses, and their taking advantage of them



## Improving Efficiency of Existing Businesses

- Advancing in your workforce development efforts
- Educational opportunities for small businesses, and their taking advantage of them
- A strong infrastructure for energy, communication technology, emergency services
- Building and maintaining your *Local Business Resiliency*
- Forums for business networking
- Improving dollar capture by assisting in market and consumer studies, customer service, use of social media and the Web



## New Business Formation ( Entrepreneurship )

- Advances in business retention and expansion
- Advancing in your workforce development efforts
- Formation of locally targeted capital groups for both debt and equity investment
- Local Makerspace(s) and Collaborative Working Space(s) to be a means of catalyst and early support for folks who want to be entrepreneurs
- Creation of a community fund to seed entrepreneurship during plant/business closings





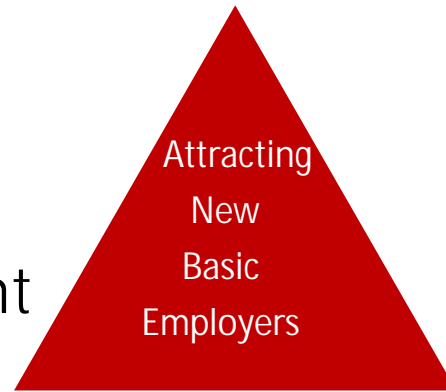
## New Business Formation ( Entrepreneurship )

- Improving dollar capture by beginning entrepreneurs by assisting in market and consumer studies, customer service, use of social media and the Web
- Foster a community interest in entrepreneurship
- **The things that help entrepreneurs and that help expansion of existing businesses often overlap**





- Advances in your workforce development efforts



- Formation of locally targeted capital groups for both debt and equity investment to use to get a major interest in a small-with-potential business to move here
- What basic businesses that are not here could result in greater efficiency and cost reduction for your existing businesses if they were here?
- What business type gaps are there here, and trying to fill those



- What small businesses from elsewhere be “bolted on” or be insourced here, by our existing businesses?
- Highly targeted recruitment
- Develop a local strong point cluster
- Community leaders, across sectors, plan for the future of the community

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