

**THE STRATEGIC DEVELOPMENT ORGANIZATION:
VISIONARY LEADERSHIP FOR
STATE ECONOMIC DEVELOPMENT**

Jobs for the Future

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EXECUTIVE SUMMARY

State governments have faced formidable problems as they have tried to spur economic development in the late eighties and early 1990s. Today's economic challenges have been complicated by insufficient resources to meet demands and political processes plagued with special-interest gridlock. Since 1980, federal funding to states has been reduced by sixty percent. States were able to partially offset this burden while the national economy was growing, but in recession, state revenues have contracted while demands for services have grown. While there has been an acute need for new development initiatives to rejuvenate state economies and to boost state revenues, there has been limited discretionary money to launch such a process. In many states the result has been a vicious paralysis of economic development.

Yet, even with additional state funds, there would be some important questions: Would the state political process hinder, and not help, new development efforts? If strong political leadership emerged, would it rally behind sound, long-term strategic planning or would it align itself behind a set of short-term, politically motivated goals? In essence, the issue of state economic development policy goes well beyond the issue of state funds, to the reality of state economic development policy processes themselves; innovative state economic development initiatives have been hindered by the short-term desires and political barriers that dominate state policymaking.

The investigation reflected in this report grew out of Jobs for the Future's (JFF) long-term interest in state economic and human resource development. For ten

years, JFF has diagnosed economic change, organized productive partnerships, designed innovative programs and policies, and developed action strategies to build the capacity of states to change. JFF has examined the economic forces restructuring economic opportunity in our society and, specifically, the growing economic importance of committed, empowered people—such as workers, business managers, policymakers, and citizens. As JFF has analyzed the infrastructures of states for improving the quality of their human resources, we have realized that state governments cannot tackle economic development, workforce preparation, and education reform alone. Therefore, we have listened for new and unconventional voices in states articulating both new approaches to economic and human resource development and new mechanisms for implementing those approaches.

We heard those voices in 1991 during an investigation for the Ford Foundation and the Aspen Institute, *Pioneers of Progress: Policy Entrepreneurs and Community Development*. For that project, we examined twenty-seven influential citizen groups—business alliances, universities, quasi-public corporations, citizen groups and foundations—creatively shaping new development agendas. We dubbed these groups "pioneers" because of their innovative approaches to development, particularly in emphasizing how various social concerns from education to health care are intimately connected to a state's present and future economic well-being, and their ability to introduce original research and analysis into the public debate, thereby shaping policy. We were particularly struck by the role and potential of certain "pioneers"—strategic development organizations (SDOs)—because of their ability to influence the civic infrastructure and culture of their states.

In a nutshell, SDOs seek to do more with less. They are based on the premise that the least painful, most imaginative solution to state budgetary problems is to make state governments more efficient, responsive, and imaginative in fostering development. SDOs' goal of renewing or revitalizing state development policy lies

at the heart of most of their missions. Unlike conventional development approaches, SDOs realize that meaningful change must engage not just the "top down" policy elites but also the communities whose "bottom up" efforts are the heart and soul of development. Rebuilding a state economy entails reconstructing the state's civic culture—building the capacity of its organized constituencies and citizens to convene, discuss issues, and reach consensus in a rational, democratic manner. SDOs develop new ways of bringing together business, labor, municipalities, citizen groups, and the various arms of state government in productive collaboration to overcome barriers, both fiscal and political, which have impeded effective economic development policymaking in states. We believe that when they operate as stable, politically influential, and sophisticated organizations, SDOs can be powerful instigators of change. The best of them are forcefully advancing the agenda-setting process for economic development in their respective states and achieving results.

Over the past year, Jobs for the Future has consulted extensively with five SDOs—Indiana Economic Development Council Inc., Oregon Progress Board, Maine Development Foundation, Kansas Inc., and Enterprise Development, Inc. of South Carolina—to assess what they have in common. With support from the Aspen Institute, JFF has brought them together as resources to each other in their development. This report draws upon the insights of JFF's research and two, two-day workshops with the directors of these groups. This report reflects our attempt to understand SDOs' many complexities, how they function, and the challenges they face and to offer some recommendations to guide their future impact in the area of state strategic development organizing.

The report: (1) describes the promise of strategic development organizing in states; (2) profiles five strategic development organizations (SDOs); (3) distills common functions of the five organizations, using examples from each; and (4)

identifies common challenges facing the strategic development organizations, offering a "flip-side" view of their common functions and sources of strength.

Chapter One

An Overview of Strategic Development Organizing

In "doing more with less" SDOs operate on the premise that the least painful, most imaginative solution to state budgetary problems is to make state governments more efficient, responsive, and imaginative in fostering development. SDOs' goal of renewing or revitalizing state development policy lies at the heart of most of their missions.

What makes the five SDOs we studied—Indiana Economic Development Council Inc., Oregon Progress Board, Maine Development Foundation, Kansas Inc., and Enterprise Development inc. of South Carolina—so noteworthy is their ability to re-invent the very processes by which states think about and attempt to stimulate economic development. They attempt to remedy some of the systemic shortcomings of short-term development planning, by promoting sustainable long-term investment in a state's competitive capacity. SDOs pursue this goal by dealing frankly with serious systemic voids, such as:

- the lack of good information and understanding about a state's economy;
- the lack of public participation in the strategic planning process;
- the lack of forums for making rational evaluations of policy options and for initiating action; and
- the lack of performance benchmarks for assessing ongoing progress.

As facilitators, SDOs help overcome these knotty problems and clear the way for more forceful, concerted progress.

Unlike previous schools of economic development whose chief goals have been to recruit new businesses, provide subsidies or orchestrate technical planning, SDOs

have a more comprehensive, holistic agenda. They seek to re-invent the very process of development by:

- bringing together the disparate political interests of a state, especially at the community level;
- provoking a focused, informed debate about a state's long-term needs; and
- formulating specific, realistic policies and programs to spur development.

Eschewing the short-term, band-aid approaches that are so common in contemporary politics, SDOs seek to create a sound, long-term vision for a state's economy. They pursue this goal through an extra-governmental process that is facilitated, but not dominated, by state government and that represents a balance of interests.

A More Effective Process for Change

For SDOs, "change" is not merely a matter of enacting new laws or achieving consensus among the policy elite, it is a process that must enlist the input of the state's civic culture. For change to be real and lasting it has to penetrate to ordinary citizens. It is on this level that people must be convinced to change their behavior and leverage the power of their votes to influence the depth and durability of economic change.

Securing citizen support and consent for new priorities in state government is not just a process of gathering information or convening recognized interest groups. Advocates for serious change, whether in economic development or any other policy area, must follow a four-stage process that involves:

- (1) Creating public awareness;
- (2) Creating familiarity with the issues;
- (3) Changing public attitudes; and

(4) Changing public behavior.

Traversing these four steps may be one of the most formidable challenges of governance today. State politicians are often too besieged and distracted to lead. Bureaucracies are too rule-bound and politically neutered to initiate. Citizens are fed up with politics as usual and disengaged from the political process. Under these circumstances, it can be extraordinarily difficult to carry on a genuine give-and-take policy dialogue, let alone to formulate a creative, informed policy agenda that commands a consensus among both a state's policy elite and the public.

At their most ambitious, SDOs seek to break through this impasse in governance by recognizing and working with the interdependent relationship between economic development and democratic participation. Unlike conventional development approaches, SDOs realize that meaningful change must engage not just the "top down" policy elites but also communities whose "bottom up" efforts are the heart and soul of development. Thus, the process of strategic development, ideally, is inclusive and participatory in spirit. In rebuilding a state economy, the co-equal goal is to reconstruct the state's civic culture—to build the capacity of its organized constituencies and citizens to convene, discuss issues, and reach consensus in a rational, democratic manner.

The Strategic Development Organization: Features

It is our belief that SDOs are an important new force in reinventing economic development, re-creating state government, and revitalizing state economies. They are an attempt to make government more flexible, future-minded, and deliberate with respect to development—just as businesses must become more flexible and process-oriented to stay competitive in their markets. In this sense, SDOs can be considered an analogue to high-performance business enterprises that are succeeding in today's highly volatile, technologically-driven global economy. Just as the most successful business firms are no longer organized around specific products, but around a production process that is highly flexible and responsive to changing market demand, so, too, state government must become more responsive and process-oriented. Development cannot be effectively promoted through rigid rule-driven state programs that conceive the economy in static, short-horizon terms, or which ignore fast-changing needs. Nor can development focus solely on economic issues, since many "social" concerns such as education and quality of life are absolutely central (or integral) to economic growth and stability.

SDOs are pioneering new rules for stimulating state development. They straddle the worlds of politics, government, academia and community life, seeking to integrate diverse specialties that otherwise have no common forum at which to meet and find common ground.

SDOs seem to be an earnest, open-ended but still-fledgling attempt to provide the leadership and long-term vision that contemporary politics is not providing on its own. While SDOs are not partisans in the political sense, they are advocates for a more thoughtful, rational planning process. Based on rigorous empirical research and open meetings, they attempt to frame an agenda and build consensus for it. As

one SDO director put it, "SDOs do not necessarily answer the questions posed, but they do help people ask the right questions." Graham Toft, director of the Indiana Economic Development Council Inc., defined the key attributes of SDOs with four C's: "consistency of perspective, continuity of programs, credibility and collaborative style."

More than anything else, SDOs are effective new vehicles for development policy leadership. It is not necessary to catalog the many deficiencies of state government or state politics to demonstrate the need for bold and responsible leadership. Through their hybrid structure of public/private partnership, SDOs are a force for change that works—at least today—primarily through a state's policy elite. SDOs may also help mobilize a state's grassroots and invigorate its civic culture, but these are generally secondary concerns.

The Strategic Development Organization: Vision

SDOs instigate change by convening the most prominent policy players and helping them to formulate a new development vision for the state. In the process, SDOs generate new field research to identify problems and solutions, and new analytic frameworks for understanding a state's development problems. If nothing else, SDOs strive to keep current with breaking economic trends, not so they can catch the latest development fad, but so they can more presciently make development plans for ten and twenty years into the future.

As bipartisan enterprises that cannot overtly engage in politics without losing credibility, SDOs function as forceful facilitators. They are not advocates in the narrow, "lobbying" sense of the word; but they do advocate through their support of education reform, adherence to benchmarks, etc. They have been variously described as think tanks, convenors, catalysts and spark plugs. In one sense, this

would appear to be an auxiliary function of state policymaking. But in another sense, this is a core function. What could be more important than the power to frame the terms of debate and propel it forward? What could be more powerful than rigorous economic data and interpretations skillfully interjected into a void in development policymaking?

Our five SDOs command great respect and authority in their states for precisely these reasons. Their research is thorough and well-respected. They are able to host robust, knowledgeable debates about urgent state issues. And they have considerable influence with state elected officials and business leaders, and thus are able to move their policy agenda forward. This is not to imply that SDOs can pursue their own agendas in a political vacuum. In general, SDO initiatives can proceed only with the sufferance or active support of the Governor, top legislators, and the state's business elite.

While SDOs clearly seek to promote economic development, this understates their mission, which is more sophisticated and expansive. The best SDOs do not merely seek economic development but the improved competitiveness of state businesses (and thus their micro-economic vitality). Moreover, SDOs do not seek competitiveness alone but the sustainability of competitive advantage over the long-term. Finally—and this may be the most penetrating insight of the SDOs—they advocate that the sustainability of economic development depends critically upon all sorts of non-economic, social and community factors: the educational system, the skills of workers, the adequacy of social services, the quality of life in the region, and the general vigor of civic engagement throughout the state. In trying to delineate these hidden linkages between economic well-being and these non-traditional factors, SDOs are breaking new ground in development policy. SDOs are redefining economic development by broadening its parameters and approaches.

This is why rigid analytic descriptions of SDOs are inadequate. SDOs are exploratory ventures that are constantly trying to re-configure the mental categories that we use for understanding development problems and solutions. They are trying to break down conventional categories of analysis, which carry their own implicit strategies for action (e.g., that economic development has little to do with such purely "social" concerns such as education or workforce preparation). By being alert, responsive and flexible, SDOs strive to popularize new understandings of development problems and therefore promote new frameworks for conceptualizing solutions.

In Oregon, for example, the Oregon Progress Board has driven home the point that spending on social services can be considered a shrewd development investment if seen in a long-term perspective. Spending more funds to prevent dysfunctional families or illiterate adults can build the social and skills capacity of tomorrow's workforce. Many social expenditures can legitimately be considered investments.

The Importance of the State Civic Culture

The importance of a "friendly state culture" cannot be overstated when discussing strategic development organizations. In order for an SDO to be born and to survive, the following conditions must be present in a state:

- a bipartisan environment in which consensus and change are possible;
- political leadership that tolerates and cooperates with independent bodies;
- and
- a desire to be progressive and encouragement of innovative solutions to development problems.

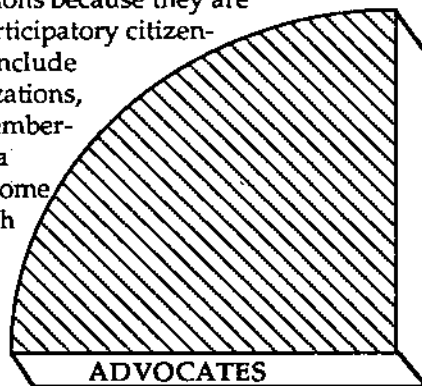
These conditions that shape the state's civic culture have significant implications for SDOs. The challenges facing SDOs are discussed in Chapter Four and some recommendations for the key participants in the state civic culture are offered in the conclusion to this report in an effort to recast the notions and practices of state development policy.

STRATEGIC DEVELOPMENT ORGANIZING

Strategic development organizing is a concept to describe a state's total efforts to promote effective and innovative strategies. A broad spectrum of institutions—from citizen groups to foundations to SDOs—play a role in the evolution of state policy.

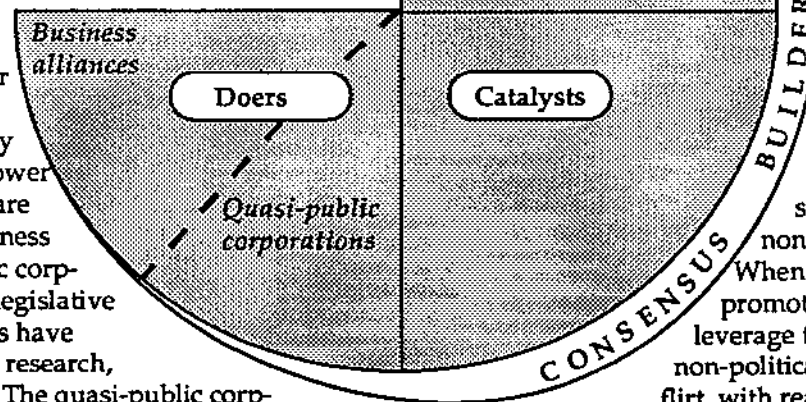
Two primary leadership roles are: 1) the **ADVOCATES**, which actively promote their own policy agenda, usually on behalf of a specific constituency; and 2) the **CONSENSUS BUILDERS**, which seek to bring different constituencies together to devise and mobilize support for new development. Among the Consensus Builders it is possible to differentiate three types: **Convenors**, **Catalysts** and **Doers**.

Advocates work to propel their constituents' agenda into the mainstream. Advocates have greater flexibility and responsiveness than most institutions because they are instruments of participatory citizenship. Advocates include grassroots organizations, which provide membership services and a public voice and some foundations, which select a set of causes they seek to advance.



The Convenor's role is to invigorate the political process by bringing together disparate leaders of a community and expose them to new perspectives. The need for new forums to exchange information and views is acute where divergent civic cultures coexist in a single state.

The Doer is both a Convenor and a Catalyst with one significant difference: it usually has the resources and the power for implementation. There are two types of Doers: the business alliance and the quasi-public corporation. Unrestrained by a legislative mandate, business alliances have greater leeway in what they research, recommend and promote. The quasi-public corporation exists in a more complex public/private framework, and must serve public needs while adhering to statutes governing their operations.



Catalysts want to bring diverse leaders together, as well as stimulate action, in a non-partisan manner. When Catalysts openly try to promote a specific issue, they leverage their credibility as non-political organizations and flirt with real advocacy.

Chapter Two

The Strategic Development Organization: Five Pioneering Organizations

Our work with SDOs has shown that SDOs cannot be categorized or discussed in general terms. Each SDO is a product of a unique state political culture. Each SDO arose under unusual circumstances, emphasizes particular development goals, and functions in its own political and bureaucratic milieu. The analogy of the family is useful in trying to understand how SDOs compare. For example, while each family member has distinctive individual traits, each also shares family resemblances. This "same but different" quality applies to SDOs: they resemble each other, but are also quite different. To be effective, any SDO must be organically connected to its state's special history, economic needs and social circumstances.

Indeed, this may be precisely why SDOs represent progress in the history of economic development: they are rooted in their state's unique circumstances. SDOs do not woodenly implement development models imported from elsewhere; they create their own strategies based on their own special needs. State leaders, interest groups and citizens have a strong sense of "ownership" in their SDOs. Furthermore, SDOs pursue a more meaningful notion of economic development as a long-term, evolutionary process.

Nationwide, there are only a dozen or so organizations that are said to be SDOs. Our review of these groups includes the following:

- Kansas Inc.;
- the Maine Development Foundation;
- the Indiana Economic Development Council; and
- the Oregon Progress Board; and
- Enterprise Development, inc. of South Carolina.

The first four stand out as particularly innovative and effective. Enterprise Development inc. is included in this study because it exemplifies the challenges facing a state in converting an existing state agency or organization into an SDO, rather than creating an SDO from scratch. While EDI is not as fully evolved as the other four SDOs examined below, it is an organization struggling to broaden its agenda and earn a wider credibility for its strategic planning. EDI's evolution may be instructive for states with very limited resources and inhospitable bureaucratic/political climates. This chapter will profile the character of each organization: its origins, goals, governance structure, funding and general tactics.

INDIANA ECONOMIC DEVELOPMENT COUNCIL INC.

Graham S. Toft, President

The Indiana Economic Development Council (IEDC), founded in 1985, can make the best claim for being one of the first SDOs. In the early 1980s, Indiana was reeling from several years of economic decline, especially in its important heavy manufacturing and agricultural industries. To help the state develop a fruitful long-range development perspective and plan, the Indiana General Assembly in 1985 created the IEDC as a nonpartisan state "think tank." Its three broad areas of responsibility include: (1) strategic development planning; (2) the establishment and coordination of development programs; and (3) analysis of the state's economy

and development activity, resulting in making recommendations to the governor. The general operating premises of the IEDC are succinctly stated in its mission statement:

The Council's public/private partnership includes government, business, labor, education and civic interests. The vision and activities molded by this partnership are shared with decisionmakers and the general public in the hope that broader consensus will encourage effective growth for Indiana. The private-sector partners shape their own programs, but cooperate with state governmental entities to sustain and reinforce consistent, long-range economic development strategies.

The IEDC statutory model served as a prototype for Kansas Inc., which was created a year later. Both have been closely watched by national observers of economic development trends. IEDC's strategic development agenda has revolved around workforce development, infrastructure improvement, and technology development/modernization. Indiana is a rarity among states in making workforce development its top economic development priority. The impetus for reform originally came from the 1987 Hudson Institute report *Workforce 2000* and the work of Jobs for Indiana's Future, both of which identified major weaknesses in the state's technical and vocational education system. Governor Evan Bayh has made this issue central to his administration.

The IEDC is also unusual in having a board of more than 70 members—primarily so that all significant sectors of the Indiana political culture can be represented. The entire board is appointed by the Governor, who is the sole voting member of the corporation. Most meetings of the full board serve as policy meetings at which the Lieutenant Governor, the chair of the IEDC, conveys the administration's line on economic development. It is also an opportunity for IEDC's constituencies to register their views and learn about the IEDC's long-term goals.

Since the full board meets only once a year, the most substantive operational work of the organization is performed through a fifteen-member executive committee which meets up to ten times a year.

The IEDC is a private, not-for-profit corporation. About half of its \$438,000 annual budget comes from the state legislature; the remainder comes in equal proportions from the state chamber of commerce and from various economic development entities and regional councils in the state. The bulk of the IEDC's work is performed by six full-time employees, occasional contract researchers and university affiliates.

Much of the IEDC's impact has come from its creation of a new body of reliable empirical research which frames the terms of discussion for a given issue. For example, the IEDC has thrown a spotlight on Indiana's ailing public infrastructure and the need to promote cost-effective investment in it. The organization was also instrumental in persuading state legislators that modernization of existing businesses is at least as important as encouraging technology innovations and technical firm start-ups; the state's technology development program was expanded as a result. The IEDC's expertise has also been critical in several initiatives to improve Indiana's development finance laws and programs.

At a more general level, the IEDC has acted as an informed, well-respected opinion leader. It seeks to identify the most serious long-term development issues facing the state, and then to communicate them to the state's "leadership group"—approximately 10,000 influential people within the state. "We try to get to the essence of key issues and communicate them effectively," said IEDC President Graham Toft. At the moment, the development indices that most worry the IEDC are the decline in per capita personal income of Indiana residents, business productivity and the state's tax base. Although the IEDC, like Kansas Inc., attempts

to build consensus through an open, inclusive process, it has not attempted to build a direct constituency base or to reach out directly to the public.

Even as it grapples with the nitty-gritty operational realities of development programs and policy, the IEDC is constantly trying to keep an eye on the "big picture." It is keenly aware of the broad spectrum of factors affecting the state's economy—from worker skills to international business trends to quality of life—and is trying to integrate these concerns into the state's strategic planning

KANSAS INC.

Charles R. Warren, President

In 1986, the State of Kansas was suffering from a serious economic crisis. As a result of back-to-back recessions in 1981 and 1985, all four of Kansas' basic industries (agriculture, oil and gas, aviation and durable goods manufacturing) had suffered serious job losses and bankruptcies. The Kansas economy was simultaneously declining and restructuring, which soon led to a fiscal crisis in state government as well.

Responding to these problems with an imaginative solution, the Kansas state legislature created a new quasi-public organization, Kansas Inc., to help guide the state's economic development. Its chief mission would be to help re-position the state's economy for long-term growth and stability. It would pursue this goal by acting as a policy think tank and convenor of the leading players in the development process. Besides working with businesses, Kansas Inc. would help oversee the legislature's reforms of the state bureaucracy: the establishment of new technology development and venture capital agencies, the reorganization of the state's economic development agency, and the creation of permanent House and Senate economic development committees.

The composition of the Kansas Inc. board reflects its policy-driven approach to development. The fifteen-member board consists of the Governor, four senior members of the legislature, the secretary of commerce, and representatives from the key business sectors, the state university and labor. Board members include the governor and several leaders of the legislature; the remainder are appointed by the governor. Roughly two-thirds of Kansas Inc.'s \$425,000 annual budget comes from state appropriations. The remaining one-third comes from the private sector; some eighty companies contributed \$140,000 in 1991.

After restructuring the state's development agencies, the Kansas legislature turned its attention to vital issue areas. With the assistance of Kansas Inc., the legislature developed new initiatives in education, workforce training, technology, infrastructure, business financing, international trade and quality of life. Improvements in each of these areas, Kansas Inc. argued, would yield significant long-term benefits to the state. Largely in response to the organization's recommendations, the state legislature approved an additional two-year, \$30 million appropriation for higher education. Kansas Inc. was also instrumental in creating a Governor's task force to help coordinate state economic and human development programs (which the Kansas Inc. director then chaired). Kansas Inc. also helped coordinate the job training programs of various educational institutions.

Kansas Inc. has now become the focal point for the state's strategic planning and policy research and analysis. It advises state officials and agencies about development, and coordinates various state, local and private development activities. For example, Kansas Inc. prepared a rural development action plan and as a result secured special funding for a county-level strategic planning program. That program has produced sixty strategic plans, has received \$500,000 of funding for

three years, and recently received a recommendation from the legislature to continue funding for another three years. Its highly regarded research has addressed such diverse issues as taxation, workforce training, adult basic skills, value-added manufacturing and small business financing—all with an eye toward spurring development.

Clearly, one reason for Kansas Inc.'s demonstrated effectiveness is its ready access to top elected officials and business leaders in the state. But Kansas Inc. is also influential because its policy research and analysis is rigorous and nonpartisan. It forces policymakers to confront the state's basic, long-term economic problems, and provides forums through which debate can take place and lead to action. The organization describes the steps it uses in forging a comprehensive strategic planning program: "vision, analysis, choice, action planning and evaluation."

Today, the sense of crisis which had prompted the creation of Kansas Inc. has passed. The Kansas economy is now doing well, with an unemployment rate of 3.7% and a job growth rate of 8.6%. Projections estimate that 26,000 new jobs will be created over next two years. (There are 1.5 million workers in the state). One of the most revealing measures of the state's prosperity may be that Kansas citizens now earn 97% of the average U.S. per capita income. The future is also brighter for Kansas now that the state legislature has dealt with a number of major issues, including tax reform, education reform (including equitable school financing), gambling, abortion, uniform sentencing guidelines, and several children's issues.

In this new economic and political climate, Kansas Inc. has been able to move beyond the urgent, basic development concerns of the late 1980s. It is now focussing on a broader, more refined agenda: creating higher-skilled, better-paying jobs; creating more jobs in specific, depressed regions; and improving the internal productivity and quality of business enterprises ("high performance work

organizations," or HPWOs). Kansas Inc. has also taken on more routine planning functions; assembling a strategic development data base and compiling an inventory of economic development grants and loans.

Success invariably breeds new demands and a more diffuse range of projects: a tribute as well as a threat. In recent years, Kansas Inc. has become the funding agent for a \$1.5 million National Science Foundation grant to the three research universities in the state. The Kansas Science and Technology Council, a committee of the Kansas Inc. Board, passes along funds to the universities and oversees that program which is intended to build the capacity of Kansas universities to compete for federal R&D grants. (Kansas ranks 32rd among all states in obtaining federal R&D grants.) Kansas Inc. also remains heavily involved in efforts to improve the state's workforce preparedness, and to keep close tabs on the ongoing strengths and weaknesses of the state's economy. In 1991, the state legislature, inspired by the success of Kansas Inc., created a similar quasi-public body to tackle children's issues.

OREGON PROGRESS BOARD

Duncan Wyse, Administrator

The Oregon Progress Board is one of the most innovative attempts to revamp how ways that a state thinks about its long-term development. The founding document for the Board's work was a May 1989 report, *Oregon Shines: An Economic Strategy for the Pacific Century*, which proposed an ambitious plan to build the "measurably best workforce in America by the year 2000, and one equal to any in the world by the year 2010." The heart of the report's plan is to revamp the state's educational system, help businesses meet global competition and improve the state's social services.

To help oversee this process and set realistic benchmarks for measuring how Oregon is progressing towards its goals, the state legislature created the Oregon Progress Board in 1989 as part of the Oregon State Economic Development Board. After an eighteen-month process of consulting with legislators, state agencies and various experts, the Board published Oregon Benchmarks: Setting Measurable Standards for Progress in January 1991. That report took a serious look at what the global economy would look like in the years ahead, and how that would affect Oregon's competitiveness. It also set measurable goals for helping Oregon's citizens become "exceptionally competent, self-reliant, skilled and globally knowledgeable people." The benchmarks identify such goals as "Stable Home Life," "Healthy Babies and Toddlers," "Academic Achievement," "Adult Education," "Equal Opportunity and Social Harmony," and "Adult Independence and Community Participation."

The Oregon Progress Board's sole mission is strategic planning through use of the benchmarks. It does not advocate specific initiatives or administer programs. Through its research, the Board functions as an in-house consulting firm to the Governor, the legislature and the state budget office. Its reports and benchmarks are also of interest to the policymakers, organized constituencies, and citizens of other states.

The most significant innovation of the Oregon Progress Board is its explicit, well-researched benchmarks. The goals measurably define where the state is and where it wants to be in the future. More importantly, the benchmarks are actually used as a powerful lever for reforming state policymaking. The first step in the process was to develop more than 160 specific benchmarks through an open, consensus-building process, and then to get them formally adopted by the state's leadership group and enacted into law. This established a vision for the state.

What makes the benchmarks so remarkable is that they are actually driving organizational behavior in the state. State agencies are told that their base budget for the year is 80% of the previous year's budget. They can boost their budget an additional 10% by demonstrating how their programs will help achieve progress on the benchmarks. Additional increments in their budget beyond 90% of the previous year can be earned only by showing how their programs will foster progress towards one of the seventeen "lead benchmarks" (whose achievement statewide is sought within five years).

As this scenario suggests, the benchmarks are neither symbolic nor rhetorical; they are practical policymaking and administrative tools. To give the process a rigorous integrity, the Oregon Progress Board must submit a report to the state legislature every two years describing the state's progress in meeting each of the 160 different benchmarks. (The baseline numbers against which progress is measured come from the 1989 report, *Oregon Shines*.) One problem in using benchmarks is the steep cost of collecting certain kinds of original data, which is not otherwise collected by the U.S. Census or other federal agencies. Nonetheless, the legislature believes that the benchmarks are a powerful enough tool to justify the costs.

That faith is largely justified. As a result of the benchmarks, Oregon policymaking has become more rational and sophisticated, in large part because quantifiable outcomes, not inputs or perceived effort, play a prominent role. Every item in the state budget is linked to performance measures. The benchmarks thus are helping Oregon rationalize and improve its priority-setting. Preventive investments—in infant health, education and social services—are seen by the state as more desirable because their long-term payoffs are now evident.

Unlike other SDOs, the Oregon Progress Board is contained wholly within state government; it is a division of the state's economic development department. The

Board avoids being "just another state agency," however, because the Governor (Barbara Roberts), by statute, chairs the Board and actively uses it to advance her own policy goals. The Board is not populated by legislators, political cronies or career bureaucrats, but by eight highly respected "citizen members" chosen from each of Oregon's five congressional districts to reflect the social, cultural and geographical diversity of the state. These appointees include a pediatrician, a former school board chairman, a former state Attorney General, the owner of an aluminum company, and a former treasurer of a rural county, for example.

The Board is structured to be meaningful and influential. The citizen members are widely considered to be bright, strong, opinionated people who do not reflexively represent organized constituencies. They are willing to wrestle with large issues and argue with the Governor. Board members have four-year terms.

Board meetings are held once a month to reassess specific benchmarks and the state's progress toward meeting them. The typical board meeting consists of discussions about "big picture" issues such as the transportation needs of Portland or the problems of early childhood education. Guests are invited to meetings, which sometimes resemble legislative hearings. The key issues that the Board is now focussing on are school reform, improvements in social services and ways to build "high-performance work organizations," or highly competitive businesses.

Besides providing a focal point for serious, informed discussion, the Oregon Progress Board has undertaken a massive effort to educate the state's leadership elite and citizenry. In developing the initial benchmarks, the Board hosted eleven regional meetings to solicit the broadest public comment. Periodically, the Board sends out mailings to a list of over 8,000 businesses, schools, labor unions, county organizations, environmental groups, legislators and staff, and others. The purpose of the mailing is to keep a conversation going between the Board and the rest of the

state about ongoing progress, or lack thereof, toward the benchmarks. Are the current priorities still valid? Should modifications be made? Why should they be modified, and what should they be?

In this manner, the Oregon Progress Board is in fact creating a dialogue among the state's broader political culture. The broad consensus that has been forged in support of the benchmarks—with the Governor's active leadership—has given the entire enterprise a strong momentum and a justifiable optimism. It remains to be seen whether the benchmarks, combined with the Governor's prodding, will be powerful enough to alter entrenched bureaucratic habits and political interests. Yet the strong commitment of the state's civic culture to the overall goals of the Board suggests that genuine progress will be made.

The Oregon Progress Board is now concerned with expanding its public outreach, in order to build even stronger, more active support for achieving the benchmarks. As exemplified by its receipt of the 1992 "Vanguard Award" from the Corporation for Enterprise Development, the Oregon Progress Board is "ahead of the pack" of other SDOs in many ways, with few clear techniques or process models to guide it.

MAINE DEVELOPMENT FOUNDATION

Henry Bourgeois, President and CEO

Founded in 1977 by the Maine State Legislature, the Maine Development Foundation (MDF) has been a highly creative, successful business/government partnership for development and one of the first SDOs. In its first five years, the MDF focused on traditional development approaches, such as the recruitment of new industries to the state. Then in the mid-1980s, largely at the request of "corporators," or MDF members, the organization shifted its emphasis to long-term economic development—education, health care, and human and physical

infrastructure. These issues remain the core of its agenda. Operationally, MDF's three main functions include: strategic planning on one major area; the convening of various interest groups to examine long-term problems; and institutional capacity-building.

Although the private sector is the predominant voice in MDF, the organization sees its primary mission as opening channels of communication and developing effective partnerships among different constituencies to facilitate change. It typically functions as a convenor, educator, and capacity-builder rather than as a policy advocate whose agenda is driven by state politics. More than most other SDOs, the MDF reaches out to and educates the diverse constituencies who must ultimately be governed by the policies finally adopted. The organization then tries to help these groups—business, labor, municipal governmental, environmental, legislative and others—come to an informed, reasonably focused consensus on action. Over the last ten years, the Foundation has moved from the discussion/consensus stage to build institutional capacity to deal with four issues: venture capital, international trade, science and technology, and education.

The MDF has created several standing vehicles to achieve these purposes. The Institute on the Maine Economy is a program that educates state legislators about the economic and policy problems of Maine's diverse regions. After every biennial state election, MDF conducts ten three-day bus tours for 100 of the state's 186 legislators, taking them around the state to meet face-to-face with business managers, workers and community leaders. Legislators report that the bus tours give them fresh insights into how policy and reality interact. The Institute's work, at \$150,000 a year, is financed from private sources and then matched by a state appropriation. In a companion program for MDF members, business people

"shadow" state legislators for five days during the course of a session, so that they can learn more about the legislative process.

For the past five years, MDF has sponsored an annual Maine Symposium, at which leaders from business, government, education and nonprofit organizations meet to discuss the state's economy. The well-attended two-day gathering provides a constructive and non-threatening forum for discussing the state's long-term economic needs and strategies. More recently, MDF began a new consensus-building project known as Common Ground. Representatives from environmental groups, business groups, organized labor and municipal governments were convened by MDF to reach consensus on certain policy issues. What began as a policymaking initiative ended up as a leadership development exercise, however. MDF is now trying to break down the barriers between the groups and help forge a sense of common purpose on a range of issues. At their recent two-day retreat, the Board of Directors of the four groups agreed to try to put forth a three-year blueprint for change for the new legislature this fall.

The MDF is structured as a 501(c)(3) not-for-profit corporation. Only \$179,000 of the organization's \$1,000,000 FY 1992 budget came from the state legislature. The remainder comes from foundations, large corporate gifts, fee-for-service contracts, and 500 members (businesses, hospitals, municipalities). Membership dues are set through a formula that takes into account a company's number of employees, the municipality's population, and similar factors. The state appropriation is only available after the member dues are secured. As a membership group, MDF finds that its revenue from this source has been hurt by the recession. Over the last ten years, MDF has diversified its funding base, from a 50% to a 20% reliance on state government.

MDF's fifteen-member board consists of seven members from business, seven from the public sector (two of which are appointed by the governor), and its president, Henry Bourgeois. The board is an unusually active and engaged one. If any board member is absent from three of the six annual meetings, he or she is usually not asked to return. The chair, a highly visible, active force in the organization, rotates every two years. Board members serve one-year terms, and may serve no more than five consecutive terms.

One of MDF's most ambitious initiatives is to serve as a catalyst for education reform—a major priority since Maine's economic future is so closely tied to its future workforce. The MDF-administered Maine Coalition for Excellence in Education (formed in January 1991) is seeking "fundamental change in public education" by the year 2000. MDF convened a symposium for all the stakeholders in education reform in 1990 (parents, legislators, business, education groups, etc.), which led to the formation of the 38-member coalition in 1991. The Coalition is funded largely by the paper company Champion International (and is chaired by the CEO of one of the state's largest and most education-supported businesses, unions). After a series of bimonthly meetings, the Coalition completed its vision for reform of the state's public education system along with highly specific recommendations for the state legislature in August 1992.

The Coalition, which has a staff of four MDF people, has focused on learning outcomes (e.g., certain levels of knowledge upon graduation) rather than on "educational inputs" or incremental changes alone (e.g., higher salaries for teachers, better textbooks, etc.). The Coalition has also set specific dates for achieving its goals, and has drafted a far-reaching plan for changing the basic organizational character of the public schools. In terms of promoting development, one remaining challenge

for the Coalition is to find ways to integrate its prenatal through grade 12 reforms with workforce preparation, another development issue that deserves attention.

At the community-level, MDF is also leading education reform. MDF administers a private, nonprofit corporation that helps Maine's youth improve their personal expectations, academic performance and career choices. Begun in 1989 with a gift from L.L. Bean, The Aspirations Foundation is a school/business/community partnership that sponsors innovative local programs for youth. Some fifty businesses have contributed a total of \$2.5 million to the project. For a five-year period the project will help 30,000 children in 100 communities increase their aspirations.

A hallmark of the Foundation's approach is its capacity-building policy. The Foundation sees its role as identifying long-term problems, creating a vision and action plan, building institutional capacity to carry out that vision, and "spinning off" the initiative to function on its own. In the last ten years, the Foundation has effectively started and spun off a venture capital corporation, the Maine Capital Corporation, the Maine World Trade Association the Maine Science and Technology Commission, and the Effective Governance. In the next two years, the Foundation will spun off the Coalition and the Aspirations Program.

The capacity-building approach requires the Foundation to be constantly "incubating" new ideas and to be aggressively opportunity-focused. Another result is that the staff size remains small and the organization is non-threatening in the marketplace. New ideas pursued by the Foundation include a consensus building project for legislators this November, a grassroots leadership program for citizen activities on economic development, and a major strategic development initiative focused on Maine's workforce.

One of the MDF's more useful, direct services to communities throughout the state is its Effective Governance Project, which helps municipal officials learn more about economic development and policy in their broadest scope. At a time when federal and state laws are imposing complex new burdens on municipalities, local budgets are reaching the breaking point. Leadership for change is particularly difficult in communities with serious unemployment and civic demoralization. To help build the capacity of five Maine communities, MDF is currently providing practical information and training for local elected officials, in an effort to make them better managers and policy leaders. The program is delivered in partnership with the state municipal association which will deliver the program in the future.

ENTERPRISE DEVELOPMENT, INC. OF SOUTH CAROLINA

Grace McKown, President

Enterprise Development, inc. (EDI) of South Carolina is a quasi-public development corporation—a not-for-profit 501(c)(3)—that serves more as a creator and implementor of development projects and resources than as a strategic planner. Like technology development organizations in other states, its focus to date has been on promoting competitiveness through technology development and commercialization, and new development finance resources. Unlike many traditional state technology development organizations, however, EDI is promoting a broader development agenda. For example, improving human capital—through education reform and workforce preparation initiatives—has recently come to assume a greater role in EDI's work.

EDI's agenda is in many ways dictated by the state's history as a "branch plant" state for major national corporations. As EDI's track record grows, however, it

hopes to branch into more long-range policy projects, especially in strategic development planning, policy planning and education reform.

Largely through EDI's efforts, South Carolina has built a reputation as a state that is quite serious about technology development and commercialization. Showcasing Clemson University, the University of South Carolina and other colleges that are magnets of basic research talent, EDI is involved in numerous projects to build research capacity, to develop and commercialize technology and to improve access to venture capital.

The Center for Excellence in Manufacturing Through Quality, still being planned, is expected to help South Carolina manufacturers adopt total quality management techniques. The Center for Applied Technology, located at Clemson University, hopes to help foster the formation and growth of technology-based companies resulting from R&D at or associated with the state's universities. The Technical Information Data Base hopes to accelerate the transfer of technologies to state businesses. All of these projects are planned and managed by EDI.

In terms of development finance, EDI is designing and raising funds for a new Capital Access Program that hopes to greatly increase bank lending to small- and medium-sized businesses in the state. EDI also hosts an annual conference intended to help start-up companies and venture capitalists make connections, and to help local investors assess the possibilities for making deals that will stimulate development. EDI is just beginning a comprehensive workforce readiness project which will help youths learn marketable skills and make the school-to-work transition.

EDI had its origins as a division of the South Carolina State Development Board, from which it was spun off in 1989. EDI continues to have a close working relationship with the South Carolina Development Board, and in fact receives its

appropriation from the state legislature via the board. As a novel venture that is sometimes perceived as a competitor to the state development board, EDI's very survival has required close attention to producing tangible short-term development successes. Efforts that have more intangible, long-term ambitions, such as convening diverse constituencies or re-framing the debate on a given issue, have been far more difficult for EDI to pursue under its current administrative funding structure.

That said, EDI has been remarkably resourceful at leveraging in 1991 a state appropriation of \$545,000. McKown calculates that EDI raises about \$15 from private business or foundation sources for every \$1 of its state appropriation. With regard to using its leveraging powers, EDI used \$60,000 in one year to win \$4 million in commitments over five years to a new Center for Applied Technology at Clemson University. EDI's total operating budget is \$3 million, and it has a staff of six.

The nine-member EDI board is self-perpetuating and consists entirely of business leaders with no government appointees or interest groups represented. One member is the chairman of the South Carolina Development Board and three board members are out-of-state experts in such issues as venture capital and workforce preparation. The board, which meets four times a year (which may be increased to six times a year), is quite heavily involved with EDI's work. The board's policy committee is a vital source of expertise and guidance, and invites being consulted and involved in activities.

As McKown sees it, EDI acts as "a buffer" between the public and private sectors, providing an "integrating" and "translating" role. Simply by bringing various parties to the table—universities, businesses, state government, federal technology programs—South Carolina has been able to reap the benefits of new development strategies. Unfortunately, EDI's ambitions as a strategic development organization

currently outstrip its resources and political support. In the coming years, nonetheless, it hopes to: (1) identify the most serious deficiencies of the state's education system; (2) reach out to more interest groups who have stakes in economic development; and (3) act as a catalyst for a broader development agenda.

In Summary

The five SDOs profiled in this chapter, despite their individual features, represent a promising new way for state governments and state leaders to think about development. They are planning and implementing development in a more systematic, comprehensive, collaborative, visionary manner. Our five SDOs tend to be driven by the "top-down" priorities of business and state policymakers, but they also reach out to diverse stakeholders in their policy work. To the extent that SDOs build a genuine consensus for change, based upon solid research and open debate, they are helping states break through the inertia and stalemate that often plague state policymaking. Even better: SDOs tend to look at development problems with an eye toward long-term, systemic solutions. It is still too early to assess the results achieved by SDOs, and as Chapter 4 describes, they are not without problems. Nonetheless, their initial record is highly encouraging.

OVERVIEW OF FIVE STRATEGIC DEVELOPMENT ORGANIZATIONS

<u>SDO</u>	<u>Mission</u>	<u>Policy Priorities</u>	<u>Activities</u>	<u>Organizational Status/Budget</u>
Indiana Economic Development Council Inc. (Founded 1985)	To apply non-partisan planning, evaluation, policy development, and coordination to shape long-term state goals, strategies and policies.	Workforce development, infrastructure planning and capital budgeting	Strategic planning, research and evaluation, consensus building	Private nonprofit corporation (non-membership) \$438,000
Kansas, inc. (Founded 1986)	To guide the economic development of the state and to chart a strategic course for the Legislature, Governor and the private sector that ensures a competitive economic environment.	High-skill jobs, jobs for depressed regions	Strategic planning, research and evaluation, consensus building	Quasi-public corporation (non-membership) \$425,000
Oregon Progress Board (Founded 1989)	To provide the focal point for the State's efforts to plan strategically for the future by identifying challenges and opportunities; developing comprehensive and measurable benchmarks; proposing strategies to achieve State goals; and tracking the State's progress.	Education reform, social services, high-performance work organization	Strategic planning, consensus building	Division of a state agency (non-membership) \$ 950,000
Maine Development Foundation (Founded 1977)	To act as a business/government partnership to carry out activities influencing major issues shaping the state's quality of life and economic competitiveness.	Education reform (prenatal-grade 12) Education/assistance for legislators, businesses, and municipalities, youth development	Strategic planning, education/consensus building, capacity-building	501(c)(3) nonprofit corporation (membership) \$1,000,000/2 years
Enterprise Development inc, of South Carolina (Founded 1989)	To identify, create and develop strategic initiatives and business resources that support the state's efforts to achieve economic parity with its neighboring states.	Technology development and commercialization, development finance, human capital	Implementation and development of programs	501(c)(3) nonprofit corporation (non-membership) \$ 545, 000

Chapter 3

Strategic Development Organizations: Common Features

Using examples from the five organizations profiled in the previous chapter, this chapter will distill the common functions of SDOs in an effort to highlight the challenges that lie ahead for them and to make recommendations for supporting and increasing the effectiveness of these groups.

Strategic Planning for the Long-term

In the five states we studied, SDOs fill a critical void in state development policy by shining a spotlight on the long-term, structural development of the state's economy. Strategic planning of this sort is virtually indispensable in today's fast-changing economic environment. A state must be able to identify what broad areas—education reform, workforce preparation, technology transfer, infrastructure improvement, etc.—pose the biggest barriers to its long-term development.

As one might expect, this task requires considerable expertise. Original survey research is often required, to learn about the actual status of the public schools or worker skills or factory modernization. This data must then be put in the context of the state's entire economy, so that the most fruitful interventions can be matched with the most urgent actual needs. For example, even though rural Kansas is enthusiastic about value-added agricultural products and services, this business

sector is currently in decline. Rural areas may need to pursue more diversified strategies for development.

Strategic planners must also place their entire state economy in the context of the global economy, to the extent that their fortunes are tied to international markets. In Oregon, this has translated into a conscious commitment to cultivate economic and cultural relations with Pacific Rim nations, particularly the Japanese. South Carolina's commitment to advanced technology is motivated in large part by the critical role of technology in the global economy.

While compiling raw data about the state's economy is vital, strategic planning is equally a matter of creating a compelling economic vision for the state. What kind of state does one want to be in the year 2010? What goals are most important to the state's leaders, and how might they be achieved?

Kansas has confronted this task in a systematic manner through a series of "vision exercises." Business leaders in five key regions of the state were invited to attend five one-day workshops whose sole purpose was to elicit their grandest development aspirations. At each workshop, a professional facilitator would help the participants articulate their goals and prioritize them. A small executive committee would draft a "vision statement," which would then be submitted to the group for its approval.

Each regional workshop elected delegates to a statewide conference, at which each vision statement was presented. Graham Toft, president of the Indiana Economic Development Council, assisted Kansas Inc. in this "visioning" process, helping to combine the five regional statements into a single document. The idea is not to adopt a utopian scheme, but to combine the final vision statement with a hard empirical analysis of what sorts of development activities are realistically achievable; in short, to come up with a feasible match of goals and needs. For

example, Kansas Inc. learned a great deal about where it should concentrate its energies when it discovered that 87.5% of its new jobs would be created within existing firms. An SDO like Kansas Inc. seeks to identify specific growth sectors of its economy with labor force needs.

Participants in the Kansas "visioning" process want their state to intensify its attempts to rebuild basic manufacturing and to foster high-technology products and processes. They also want to ensure that economic growth is compatible with the quality of life of their communities, for ecological, aesthetic and social reasons. The use of private/public partnerships are also important to Kansas Inc.'s business people. Once the Kansas vision statement is completed, it will be used to guide future strategic planning.

To improve its strategic planning, Indiana is currently conducting a similar "visioning" process. The IEDC reaches out to the Private Industry Councils and regional planning commissions to gather information about their various goals, plans and strategies. This outreach elicits a mosaic of state economic development plans, helping to improve the IEDC's statewide planning. It also helps to build a constituency for the IEDC's work, and to generate consulting contracts for the IEDC as well. The information gathered through the IEDC's outreach is now being synthesized. It will be presented to a statewide congress in the spring of 1993, that will review the information and endorse a formal strategic plan.

The IEDC follows a regular four-year strategic planning cycle, which looks like this:

- Year 1: Strategic planning process;
- Year 2 [the year after state elections]: Issuance of the strategic plan;
- Year 3: Fine-tuning by the Governor's policy panel; and
- Year 4: Evaluation of results.

The IEDC believes that its four-year planning cycle gives the group credibility. Everyone can know the current state of strategic planning and its future progress. The cycle also assures that strategic planning occurs in a logical, systematic manner. The IEDC's formal evaluation of results in Year 4 is especially important because it ensures a certain measure of accountability, even for programs that have the backing of entrenched political interests.

In Maine and Oregon, the strategic planning process casts a far wider net. Both the Oregon Progress Board and the Maine Development Foundation actively seek to engage a wider array of organized constituencies, and even citizens, as they formulate their visions of state development. As described above, the Oregon Progress Board deliberately set out to start a wide-open dialogue with the state's constituencies and citizens. In Maine, reaching out to various constituencies—municipal governments, small businesses, even high school students—is a primary mission.

It is worth pondering why the five SDOs we studied have been able to perform such effective strategic planning. Apart from their dynamic leadership and strong internal resources, we believe that an important factor is that they are quasi-public entities. They operate in a "quasi-depoliticized" space insulated from the short-term pressures and posturing of conventional politics. Because SDOs are not political instruments directly controlled by the governor or legislature, they have the "running room" to develop frank, penetrating analyses of their economies without having to worry excessively about political consequences. They are able to tackle issues that traditional political actors—the governor, state legislature, state agencies—are not addressing, or cannot address effectively, within their own ambit.

The freedom that comes with being a quasi-public has corresponding liabilities, however, as we discuss in the next chapter. With fuzzy lines of political

accountability and vague performance expectations, SDOs are vulnerable targets. Legislatures looking for easy budget cuts may find it attractive to slash appropriations to SDOs, which may not have strong political patrons and which may have few obvious, tangible achievements. Critics of SDOs may complain that the organizations are not serving any clear, measurable purposes. And it is true, after all, that convening constituencies and consensus-building have more to do with process than product.

Convening Diverse Policy Players

Strategic planning is not driven by information and expertise alone. It is also a process of consensus-building. It is a means for acquiring the consent and support of a state's diverse policy players to rally behind a single vision, and jointly work to implement it. This function is particularly important in this era when the power and discipline of political parties are waning. Unlike the days of the past, key legislators and the governor may not dominate decisionmaking today. Yet at the same time there may be no alternative crucible for bringing warring parties together to forge a workable consensus.

Thus a key function of SDOs is the simple act of bringing people together. SDOs provide forums for focused, informed dialogue. They provide a neutral space away from the klieg lights and politicking of the state capital, facilitating an informal, give-and-take discussion and brokering of interests. If there is a stalemate on a given development issue, the SDO can help break the logjam and suggest constructive new alternatives. In this way SDOs can help build a new political consensus and momentum for change.

We have already indicated some of the ways that SDOs convene various players on behalf of some policy goal. Kansas Inc. has conducted numerous "visioning"

exercises and workshops on specific development issues. Its many pathbreaking reports, also, are a way of helping the state's policy elite to focus on an important issue. The Maine Development Foundation's annual development symposium and its Institute on the Maine Economy are invaluable forums for focussing discussion and generating new development strategies. Similar progress has been made on education reform in Maine via the coalition convened by MDF. MDF's Common Ground gatherings have brought together business, labor, environmentalists and municipalities and have not, as yet, a formal policy agenda, but their breaking down of prejudices and barriers among groups is itself a significant achievement.

While consensus-building can be immensely productive—Kansas Inc.'s commitment to workforce preparation and MDF's proposals for education reform are two notable examples—it has some inherent limitations. Some issues are simply not amenable to resolution by consensus. In 1985, for example, Maine business complaints about the worker compensation system were seen by organized labor as utterly antagonistic to labor's basic values and political interests. Labor unions would not even come to the table to discuss the issue; the consensus-building process envisioned by MDF went nowhere. One can easily imagine other issues in which political factions have such divergent values and passionate convictions that a consensus-building process would not yield anything of value. Attempts to find a common ground in health care or education, for example, may founder if bold, dramatic changes are sought.

This does not mean that SDOs have no productive role to play in highly politicized situations. SDOs can still provide a useful forum, and help put an issue on the state's political agenda. But the momentum for change, in such cases, may have to be driven by activists, through the rough-and-tumble of politics, rather than

through the quasi-depoliticized milieu of the SDO. Or, the SDO may have to modify its mission.

Sponsoring New Research and Policy Analysis and Framing the Terms of Debate

One of the most important contributions that SDOs make is their original policy research and analysis. In states where such research is simply not being done, or where its political sponsorship makes it less credible, SDOs can be a rich source of solid, timely research that elevates the level of discussion. SDOs can identify and investigate development needs that are otherwise neglected by traditional development actors, such as the governor, state agencies and business groups. Precisely because an SDO is not an active political player, its research usually has a credibility which other studies do not have.

Many development issues (say, workforce preparation) never receive the attention they deserve because they are too complex and unwieldy for a single constituency or political leader to "get his arms around." Alternatively, no single organization or leader may have the political incentive to develop a more holistic, thoughtful analysis. As an entity that belongs to many parties, SDOs can help surmount these problems. They can elicit the collective wisdom of policy participants, give it a public presence, and thereby propel forward a new development vision.

SDO research is not only intended to create a new baseline of facts and data, but to propose a new framework for understanding a problem. This is the single achievement of the benchmarks developed by the Oregon Progress Board. By setting "lead benchmarks" on such issues as affordable housing, air quality, and crime, the Oregon Progress Board has re-oriented the terms of policymaking on those issues. The focus is no longer fixated on short-term, politically driven solutions (although

this dynamic obviously still exists), but on long-term goals that have widespread support among the state's policy elite. The focus is on outcomes—not inputs—and enables participants to "reach higher ground" in their discussions. "We were determined to take a 'human life cycle' approach to the benchmarks," said Duncan Wyse, executive director of the Oregon Progress Board, "so that long-term connections could be made and long-term outcomes achieved."

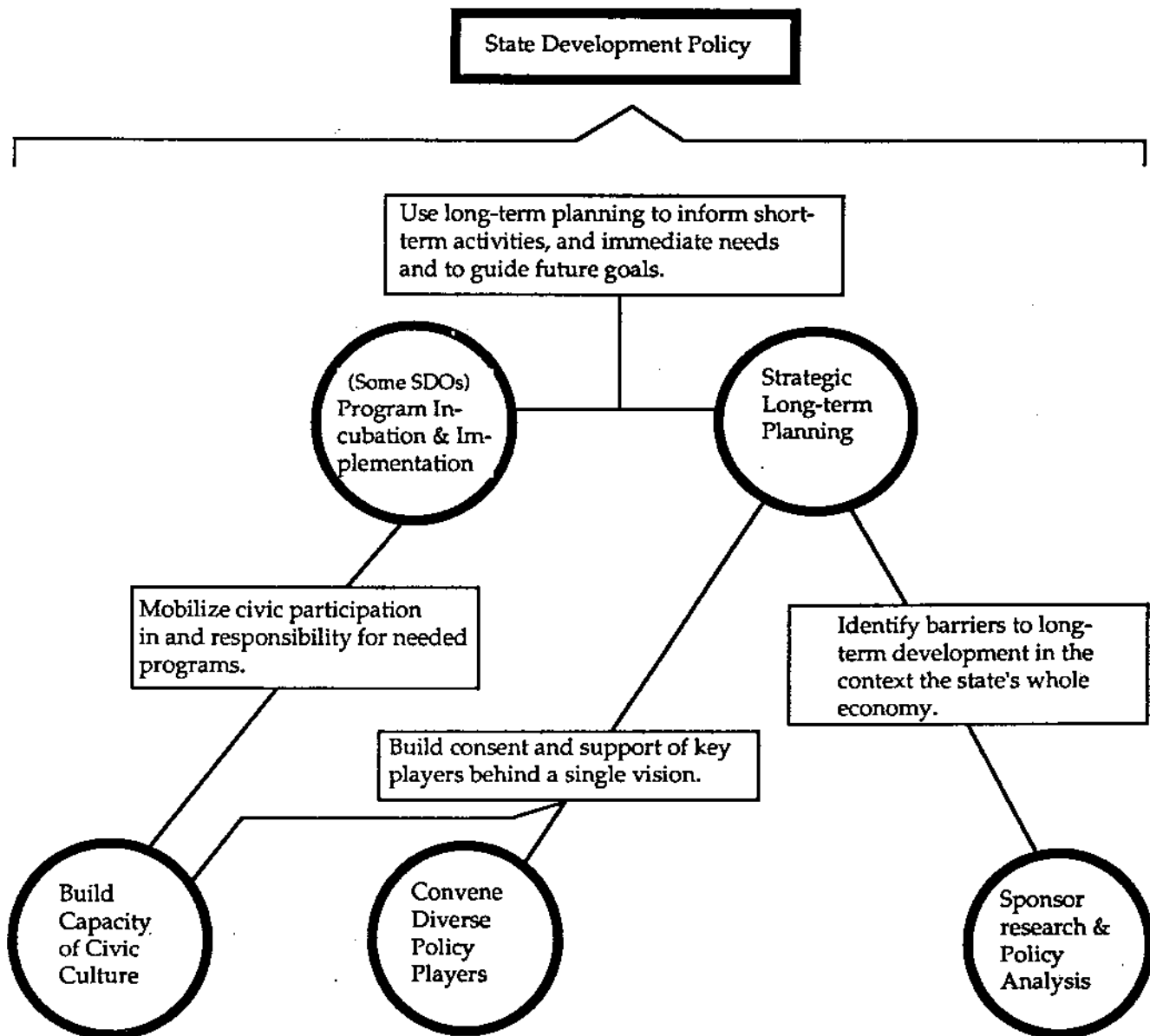
The benchmarks are not just a symbolic goal that can be ignored with impunity. State agencies, for example, have higher (or lower) budgets to the extent that they make demonstrable progress toward relevant benchmarks. Not surprisingly (and not without gnashing of teeth), the policies and programmatic decisions of state agencies are starting to change in response to the benchmarks. By forcing politicians and state agencies to consider the long-term implications of current decisions, policymaking has become smarter and more rational—sometimes at the expense of entrenched political interests. As noted earlier, increased investments in preventive programs which reduce long-term costs (remedial education, infant health care, etc.) are not immediately dismissed as politically impractical. By showing how utterly commonsensical they are, a new momentum for change is unleashed.

The IEDC Board has sought to achieve a similar change in development thinking through its report, *Ahead of the Curve*. The report does not necessarily break new ground on various issues, but it has helped re-frame people's thinking and improve the analysis of the long-term economic trends affecting the Midwest. Specifically, it has stressed the importance of workforce preparation and infrastructure, as well as the qualitative changes that are remaking the global economy, such as skillful use of information and sophisticated technologies, customer-responsive production and decentralized management structures. The lesson is rather basic: crisp, clear-headed assessments about the economic future can

MAJOR FUNCTIONS OF SDOs

The mission and practices of SDOs vary widely; however, they all share a basic goal: to pioneer an understanding of development issues that promotes innovative solutions.

SDOs achieve this goal through several major functions—strategic planning, research & analysis, convening of key players, investment in civic culture and, in some cases, program incubation & implementation. These functions are interrelated, forming a web of activities central to effective policy development. An SDO will place emphasis on those functions that best serve the needs, maximize the resources, and complement the civic and political cultures of the state.



help clarify contemporary thinking about development policy and focus energy and resources.

Kansas Inc. has been a leader among SDOs in trying to demonstrate how workforce preparedness is directly related to business productivity, and how a state can help. Again, the goal is to make new analytic connections that affect development, and to educate the state's policy elite about them. To take one example, a Kansas Inc. report, *Industrial Competitiveness and Productivity: The Case for a Comprehensive Work Force Training System*, cites Dr. Michael L. Dertouzos:

[I]n many of our companies labor is a cost factor to be minimized, rather than a precious asset to be nurtured and cultivated and developed. Our vocational schools are ineffective, and on-the-job training in the United States involves either remedial reading or excessively narrow training, or 'following Joe around.' The result is that our work force is narrowly specialized, inflexible, and therefore, less productive compared to the work forces of other nations that receive a broader systematic rotation among jobs.

The quotation above encapsulates much of the argument that Kansas Inc. has brought before legislators, business people and schools throughout its state. The original research sponsored by Kansas Inc., and then popularized and promoted, is itself a powerful force for change. Over time, it has helped galvanize the state's leaders to focus on reforming the Kansas training and retraining system—to improve vocational technical schools, to create new school-to-work linkages, to foster public/private innovations, and other long-term goals.

SDO research can sketch new and sometimes dramatic pictures of a state's economic problems, helping state decisionmakers make more informed judgments. Such research can dredge up previously ignored data, or synthesize a statewide portrait that was previously disaggregated. Most importantly, it can re-frame the

terms of debate by drawing new connections—between the present and the future, between the educational system and business productivity, between larger regional and global trends and a state's economy. By providing this sort of research and policy analysis, SDOs can be a powerful catalyst for new development policies.

Building the Capacity of the State Civic Culture

Unless the laws and programs of state development have an integral connection with the state's civic culture—which is to say, the chief constituencies affected by development—they will not achieve their intended goals. Development policy does not "go of itself." It is borne aloft by the many interest groups of a state who have a stake in it.

The civic culture of Oregon is instructive on this point. The political will to achieve the state benchmarks exists precisely because the public was engaged and consulted along the way. In that sense, the nurturing of the state's civic culture has made possible the agenda that is now being pursued. (As it happens, Oregon is fortunate to have a fairly unified statewide political culture; it is not a collection of isolated and antagonistic sub-state cultures divided along the lines of race or class or cultural traditions. Thus, from the start, it was considered feasible to forge a basic consensus among Oregonians about what they wanted for themselves and their state.)

The education reform coalition organized by MDF is another example of building the capacity of the state's civic culture in order to move change forward. A dispersed set of constituencies were concerned with the quality of Maine's schools, but there was no focussed leadership to bring them together, educate them about the issues, suggest possible action strategies, and so forth. MDF provided the missing

link. Once organized, the civic participation engendered by the MDF will likely continue the future.

To be sure, SDOs may not necessarily bolster a state's civic culture and encourage greater civic participation. Much depends upon their outreach. As a self-perpetuating board, Economic Development Inc. of South Carolina is perhaps the most insular of our five SDOs (for many understandable reasons). Kansas Inc. and the Indiana Economic Development Council Inc. attempt to represent their states' key interest groups, but their work does not usually reach much below important sub-state regions. On the other hand, the Maine Development Foundation and the Oregon Progress Board have aggressive programs to reach out to the broadest array of constituencies. Many of MDF's programs reach directly to the local level, and the Oregon Progress Board has gone directly to thousands of citizens. (It is worth noting that this sort of outreach is greatly facilitated by the relatively small size and homogeneity of these two states).

Building the capacity of a state's civic culture goes beyond educating groups and individuals, and encouraging participation. It is also a matter of hoisting up new images and symbols that can unite people around a common cause. EDI's work on promoting high technology ventures in South Carolina has helped build the state's image as "the technology state." Oregon's ambitious benchmarks have helped boost its image as an idealistic, can-do state. Whatever the programmatic specifics, images such as these can have an incalculable effect on the way people regard a state. It is a psychological, cultural phenomenon, but surely as powerful in galvanizing a development agenda as any research report or budgetary outlays. The point is that a civic culture is galvanized by a development vision, and that is largely what SDOs are all about.

Incubating and Implementing Programs

Even though SDOs are most concerned with strategic planning, the pressures on them to incubate and implement new programs are inevitable. Success attracts new responsibilities, and with them, new complications in balancing the sometimes-conflicting roles of planner and implementor.

Some SDOs, such as the Oregon Progress Board and the Indiana Economic Development Council, simply refuse to administer programs. They consider it beyond their charter and competence. But others, such as Kansas Inc. and the Maine Development Foundation, are involved in administering many development projects, sometimes as the lead sponsors and other times as facilitators. Although, in MDF's case, their mission is to ultimately build the capacity of another institution to deliver programs in an ongoing basis. Economic Development Inc. of South Carolina stands apart among our group of SDOs in the degree of its emphasis on program administration and implementation, as opposed to strategic planning.

In some ways it is inevitable that an SDO be the incubator of new projects. It convenes the lead players, it sponsors research, it helps develop an agenda, it brings an issue to public attention. It also must respond to marketplace demands, especially in membership organizations such as Maine Development Foundation and Kansas Inc. Under such circumstances, it is entirely natural that an SDO would sponsor and gradually spin off, as independent entities, the projects it has initiated.

One of the most effective incubators of new projects has been the Maine Development Foundation, which can claim paternity of the Maine Coalition for Excellence in Education (an education reform initiative) and the Maine Aspirations Foundation (a youth development initiative). For MDF, the number of vital spinoff

projects is a sign of its impact. Each new project is a living legacy of its leadership in mobilizing civic participation in one area after another.

But the MDF is careful in selecting the programs it will sponsor. It is tempting, concedes Henry Bourgeois, MDF President and CEO, "to become a nonprofit consultant taking big-buck contracts to administer programs." But an SDO that freely takes on any project that comes its way may diffuse its organizational energies and distract itself from its core mission. Thus MDF has turned down an offer from EPA to administer a \$5 million estuary bay project, as well as two separate offers to administer school-to-work transition projects. MDF is more receptive to experimental projects that break new ground and spark wider reforms, and less interested in administering ongoing social services projects, however worthy.

MDF's selection criteria include:

- can anyone else do this as well?
- what real value does MDF add?
- does MDF have the staff/board capacity?
- to what extent is this issue absolutely vital to the long-term health of the economy? and
- do the key stakeholders want us to do it? agree with our ground rules?
agree to pay us to do it?

The directors of our five SDOs suspect that good strategic planning may not really be compatible with extensive program administration. The two areas require different sets of expertise, and occasionally conflict with each other. An SDO's credibility as an independent strategic planner, for example, can be compromised if it becomes institutionally committed to certain programs. How can an SDO make critical evaluations of the state's workforce preparedness if it is administering one or more such programs itself?

It is important to stress that there is no correct answer to the question of whether SDOs ought to become involved with spinoff programs. There are special complications, however, which any SDO must keep in mind. These factors are discussed in greater depth in Chapter 4.

Chapter 4

The Challenges Facing SDOs

As the preceding chapters suggest, strategic development organizations live complicated lives. They are hybrids. There are few precedents to guide them. While SDOs clearly play an important role in state policymaking, they are not typical state agencies subject to customary bureaucratic norms. Their work can have profound political repercussions yet they are not political advocates. They seek far-reaching, systemic change not through partisanship but through objective research and consensus-building. The peculiar niche that SDOs occupy in state politics and government virtually assures that they will live in a constant state of creative tension—which, paradoxically, may have a lot to do with their effectiveness.

The unusual roles played by SDOs means that they necessarily must grapple with special problems. Some of these challenges are philosophical and structural in nature; others are more prosaic and operational. All of them relate to the common functions highlighted in Chapter Three and all can greatly affect an SDO's effectiveness.

States wishing to create their own SDOs, therefore, must anticipate and accommodate these challenges, ranging from political entanglements, governance structures, funding, spinoff projects and outreach to constituencies. The purpose of this chapter is to offer a “flip-side” view to the strengths of SDOs that we have identified by highlighting the likely challenges SDOs will face on the terrain of state

development policy. As we have mentioned before, each state, as it crafts its own SDO, will have to take into account its own peculiar political and social circumstances. Yet it is likely that all of the issues cited here will arise, in one form or another, no matter what SDO variation is adopted.

Embeddedness in the State Civic Culture: How to Work Within Politics Without Becoming Captive To It

Because SDOs ultimately are creatures of politics, accountable in part to the legislature or governor or both, it is important that SDOs develop establish stable, productive relationships with the political powers that be. This can be a difficult, unpredictable enterprise, given the vagaries of politics, especially for young SDOs that may not have established themselves as accepted players in development policy. Yet with leadership and luck, a creative *modus operandi* can be found. SDOs, supported but not controlled by the governor and key legislators, can, within certain broad limits, become powerful catalysts for change. The delicate challenge is finding ways for the SDO to participate in state policymaking without becoming ensnared in the inevitable partisanship and power plays of politics.

Above all, SDOs must retain their independence as analysts and convenors. That is one of the chief reasons they are so effective: they are not driven by the short-term reward structure of conventional politics. SDOs imperil their own credibility if they are seen, or in fact used, as the partisan instruments of an elected official or constituency. Much of the authority and influence of SDOs is reputational in origin, not statutory. Reliable, objective information about the state's economy is a precious commodity which the policy community, and even politicians riding their own hobby horses, greatly respect. Forums for well-informed discussion are also greatly

valued. An SDO that deliberately taints its information or forums with partisan bias is undercutting its own long-term influence.

Having said this, it is also true that total insulation from politics is neither possible nor desirable. Much of an SDO's effectiveness derives from the personal ties of its president and board to the governor, key legislators and leaders of constituency groups. These latter officials are the advocates who ultimately move a policy agenda forward; a constructive, cooperative relationship with them is essential.

The governor of a state can be immensely helpful in facilitating an SDO's work. For idiosyncratic reasons, however, some governors choose not to use the SDO as an institutional tool for its development agenda. Even though Governor Joan Finney is a statutory member of the board of Kansas Inc. and appoints its board members, she does not regularly attend board meetings or participate in the organization's many policy debates. Her choice seems to be mostly a matter of leadership style. While Governor Finney's support would obviously help Kansas Inc.'s in its work, the organization is not unduly handicapped by her absence; the state legislature and business leaders remain highly supportive of Kansas Inc., which has earned its own reputation in any case.

Among our five SDOs, the governor with the most active leadership role is Oregon Governor Barbara Roberts—a tradition set by her predecessor, Neil Goldschmidt, who helped found the Oregon Progress Board. It bears remembering that the Oregon Progress Board is officially a division of the state department of commerce and therefore a formal instrumentality of the state. Roberts chairs the Board, appoints its members, and actively uses the Board to move her own policy agenda forward. As a politician, Roberts surely finds it advantageous to participate so actively in the Oregon Progress Board because meetings are regular and focussed;

the benchmark goals are specific and command broad public support; and political constituencies exist for every benchmark.

Despite the Oregon Governor's significant powers to use the Board for partisan ends, she apparently recognizes, as did her predecessor, that the state's civic culture would not tolerate crass power plays that overrode public sentiment. It has been her leadership style to meet personally and openly with the public to engage in a dialogue. The Oregon Progress Board, correspondingly, deliberately reaches out to the state's top constituencies and opinion leaders to solicit their support for the benchmarks and, it is hoped, for the strategies to implement them as well.

Indiana's choice to have the Lieutenant Governor chair the Council was savvy. It allows the Governor to play an influential role in the SDO if he so chooses, but he can also elect to be buffered from the open discussion and politically charged choices that an SDO normally brings to the fore. The Indiana governor has a clear point of access to the IEDC yet he also has the option of distancing himself from it, if he deems it politically prudent.

As noted in Chapter 3, some development issues do not lend themselves to consensus-building. Political passions may simply be too intense and polarized. Alternatively, there may be deep cleavages among a state's regions, racial groups or economic classes which militate against consensus. For Charles Warren, president of Kansas Inc., there remain plenty of development initiatives that can be pursued without straying into hot political controversies. Although his board instructed him to steer clear of pending school financing legislation because it was too contentious, Warren made great progress in forging a consensus for other education reforms. Says Warren, "I attempt to choose issues that are 'beyond politics' where there's a common ground."

Maintaining Appropriate Relationships With State Governments

The governance structures of our five SDOs fall across a spectrum of tight to loose affiliation with state government. As mentioned above, the SDO most tightly allied with state government is the Oregon Progress Board, which is a division of a state agency, directly answerable to the governor and legislature. The Board is quasi-public in the sense that it chooses to interact with the public in a more open, participatory way. But its legal structure does not dictate such role. Given the norms of its state civic culture, the Oregon legislature obviously found this governance structure to be the most advantageous. A nonprofit organization operating outside of government would not have had the clout and prestige that was sought for the Board.

The SDO that is next-most-closely-allied with state government is Kansas Inc., which is an independent authority established by the legislature to function in ways resembling a turnpike authority. It is a quasi-public corporation answerable to the legislature. Kansas Inc. is officially a public instrumentality, not a state-chartered nonprofit, which means that its strategic planning has an equal prestige and authority as the state's other development entities, the department of commerce and the science and technology agency. As a nonprofit, Kansas Inc. could not, under state law, receive state appropriations. Nor would its president, Charles Warren, be entitled to walk onto the floor of the Kansas House and Senate to talk with legislators. This privilege is granted because Kansas Inc. is considered an official part of the state policymaking apparatus, and not an independent nonprofit engaged in lobbying.

Next on the spectrum of governance structures is Economic Development Inc. of South Carolina, which is a not-for-profit corporation chartered by the legislature. EDI's affiliation with state government is not as extensive as Kansas Inc.'s—the

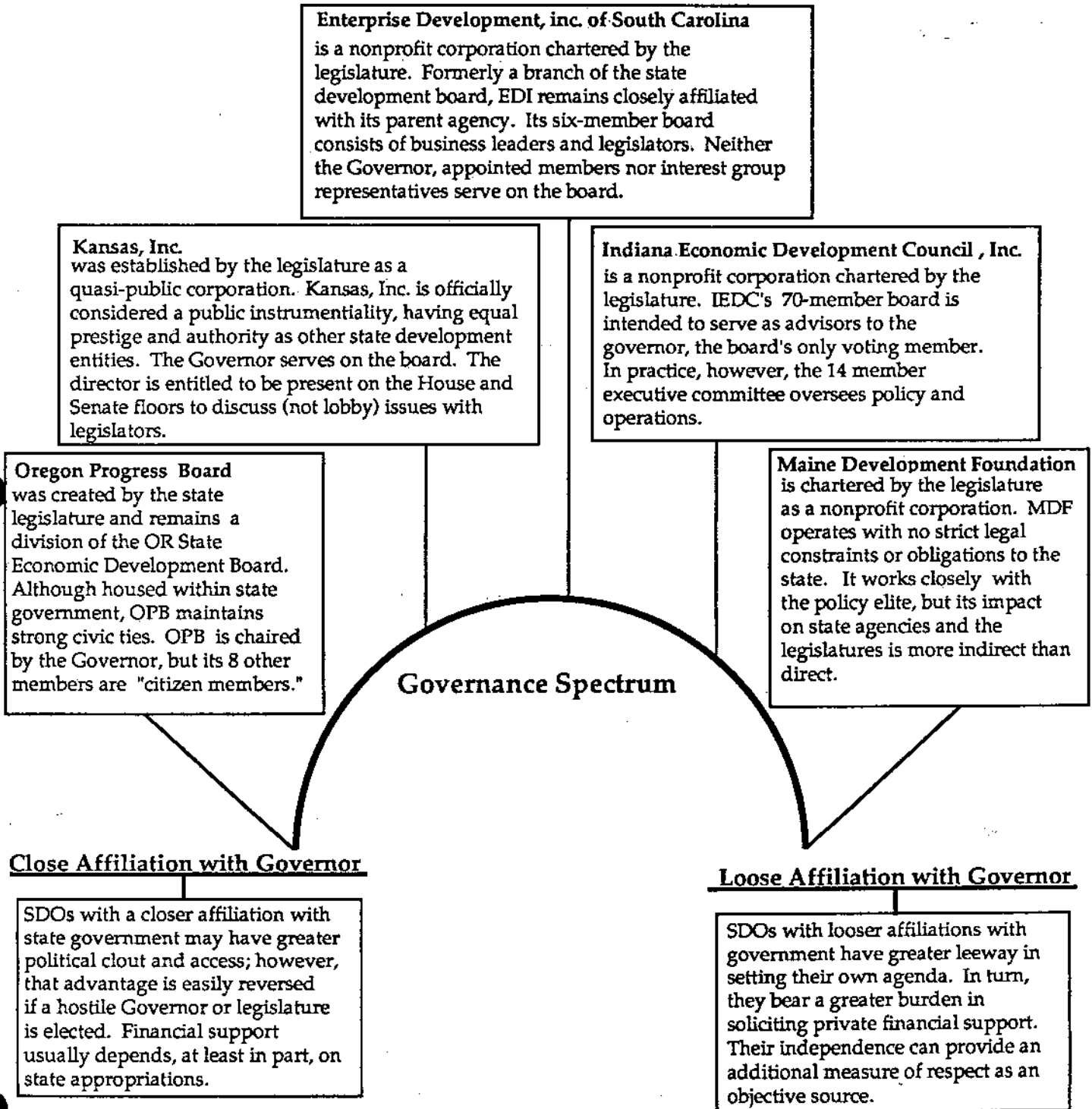
governor does not sit on the board and EDI's president cannot venture onto the floor of the legislature. Yet EDI is entangled with the state bureaucracy, the South Carolina Development Board, which was formerly the parent agency for EDI before it was spun off and which remains the conduit for EDI's state appropriation. EDI is also tied to state government by two top legislators who sit on its board. Otherwise, EDI's self-perpetuating board is dominated by business leaders and is oriented toward private development initiatives pursued in concert with state agencies and universities.

The Indiana Economic Development Council Inc., as a matter of law, is tightly affiliated with state government. It is a not-for-profit corporation chartered by the state legislature, but the sole voting member of the organization is the governor. In practice, however, the IEDC works in a fairly autonomous manner, with or without the active participation of the governor (whose active support is obviously preferred). Despite the governor's legal dominance of the IEDC, the board consists of more than seventy members who collectively represent a broad spectrum of Indiana political, economic and community life. While their views are in a legal sense "advisory," the board (and more critically, its fourteen-member executive committee) in effect runs things. The IEDC has ready access to state agencies and political leaders but it is not tightly constrained by those affiliations.

Finally, the Maine Development Foundation has the very loosest affiliation with state government among our five SDOs. It is established by statute by the legislature, is a legally-incorporated not-for-profit corporation, a 501(c)(3), and receives a state appropriation. Its mission is also endorsed by the leaders of the Maine House and Senate. MDF operates with a very broad legislative mandate with few constraints or obligations to the state. In practice, of course, it works closely with the state's policy

SDO GOVERNANCE STRUCTURE

The particular structure of an SDO depends on the state's political and civic cultures, and the goals it is seeking to achieve. The governance structures of JFF's five SDOs fall across the spectrum from close to loose affiliation with state government.



elite and makes an immense contribution to Maine's political culture. Its impact on state agencies or the legislature is, however, more indirect than direct.

As this spectrum of governance possibilities suggests, there is no single "right" way to structure an SDO. What matters most is the "fit" with a state's political culture and the preferences of a state's current political leaders. While a close affiliation with state government (along the lines of the Oregon Progress Board or Kansas Inc.) may give an SDO greater political access and clout, that very advantage can be quickly reversed if a hostile governor or legislature is elected.

Nonprofits with looser state affiliations, such as the EDI and MDF, have greater leeway in setting their own agenda without undue meddling by politicians. But they also have a greater burden of soliciting private financial support from corporations, foundations, municipalities and others. One disadvantage to a nonprofit 501(c)(3) status is that legislators may not be able to sit on an SDO board lest it be construed as lobbying; an offsetting advantage is their enhanced ability to receive Foundation support. This may not be a paramount concern in any case; there are other ways for an SDO to make legislators aware of its concerns, but it may be a important drawback for some states.

Convening Diverse Policy Players: How to Develop Top-down *and* Bottom-up

Strategic planning, as a holistic enterprise, must be as inclusive and participatory as possible. Just as citizens and community groups must find ways to translate their needs into policy proposals at the state level, so a state's leadership elite need to ensure that their policies have the consent, if not active support, of ordinary voters. SDOs thus have an important role in building new synapses to connect the "top" and "bottom" halves of a state's political culture.

In general, SDOs tend to seek change through "top-down" policy mechanisms. This is effective in many instances, and also necessary. It is far easier to orchestrate a critical core of leadership for change among the policy elite than among dispersed, underfinanced community organizations. And SDOs are generally quite skillful at this primary mission.

Unfortunately, a "top-down" policy-driven approach is not enough over the long term. A movement for change will ultimately stall if it does not also make meaningful connections with local constituencies and voters. An SDO may help create a public awareness and familiarity with an issue—the first two steps of the four-stage progression for change mentioned in Chapter 1. But without additional outreach, it will only have a limited impact on the latter two steps: changing public attitudes and behavior. It will not penetrate to the community level, where people live their daily lives and where their attitudes and behavior are forged.

A future challenge for SDOs, therefore, is to engage the "bottom up" players—mayors, city governments, local businesses, civic groups, community foundations, ordinary citizens. Their voices must be heard and their support enlisted.

Some SDOs have significant public outreach. The Maine Development Foundation and Indiana Economic Development Council both provide direct technical training and policy assistance to municipalities. The MDF's work as a liaison between state legislators and various regions of the state (through the Institute on the Maine Economy) is an imaginative example of building bridges between a state's policy elite and the grassroots. The Oregon Progress Board has been particularly innovative in reaching out to ordinary citizens and municipalities, who can often feel disenfranchised by the decisions made by a state's policy elite. By inviting the public, at eleven regional meetings, to comment on the proposed

benchmarks, the Oregon Progress Board gave itself a "political reality check" and helped build consensus and public visibility for its mission.

Reaching out to local constituencies and citizens is not just a matter of pragmatic politics. It is a way for SDOs to give deep roots to their development visions. "All politics is local," former Speaker of the U.S. House Tip O'Neill liked to boast. The great mass of voters do not orient themselves to the lofty abstractions of "policy," but to the concrete experiences of their daily lives. SDOs must take cognizance of this fact and realize that its development vision will be commensurate with the depth of its local roots. SDOs may not be capable of supervising a massive statewide mobilization of local groups (indeed, such groups ought to have their own autonomous energy and leadership). Yet SDOs can facilitate meaningful local participation whenever possible.

The Challenge of Funding

The very ambiguity of SDOs' political sponsorship and the novelty of their extra-bureaucratic roles makes funding a special problem. Who should pick up the tab? In the case of our five SDOs, the core funding comes from state legislatures, who earmark as much as the entire budget (\$425,000 a year for the Oregon Progress Board, in two-year chunks) or a significant slice of the annual budget (\$172,000 of the Maine Development Board's \$4,000,000 budget, and about \$285,000 of Kansas Inc.'s \$425,000 budget).

Among our five SDOs, the Maine Development Foundation may have the most diverse array of funding sources. Besides its legislative appropriation, MDF raises \$185,000 from its "corporators" (members), \$212,000 in fee-for-services contracts, and several hundred thousand dollars more from foundations and loose corporate gifts. Kansas Inc. seeks additional money from the private sector, although not through a

membership program. In 1991, eighty companies contributed \$140,000. Having a mixed portfolio of funding sources obviously makes for a more stable SDO budget and program. But it can also introduce new complexities. New membership services may have to be created and administered. Foundation priorities should serve actual SDO needs.

Should an SDO seek an endowment? The Maine Development Foundation deliberately rejected this option. It feared that an endowment might make it too established and unresponsive to evolving needs and too distant from marketplace realities. Kansas Inc. also rejected the idea of raising an endowment, partly because it was considered too difficult to raise the money and partly because Kansas Inc. was conceived as a temporary organization.

Reliance on the state has distinct advantages, of course, but risks as well. While the South Carolina legislature supports the mission of EDI, the state's economic development agency—which is the conduit for EDI's appropriation—has not been as supportive. When budget cutbacks were necessary, EDI's budget was cut by 27% while the development agency's budget reduction was only 3%. The Oregon Progress Board, as an entity of the state commerce department, would be vulnerable to the same sort of internecine squabbling if the governor were not the chair of the Board.

The Challenge of Evaluating SDOs and Holding Them Accountable

A knotty problem affecting SDOs is how to evaluate their performance and ensure that they are being held accountable. This requires a clarification of what exactly a particular SDO is seeking to accomplish, and an evaluation of how well it is performing those functions. Unfortunately, it is inherently difficult to develop clear and quantifiable performance standards for SDOs. The consequences of their work,

however influential, are frequently indirect, intangible, and long-term. How does one judge the value of convening a state's policy players, or the impact of annual development seminars, or the new public attention on a given issue? It is simply not meaningful to measure the number of new laws enacted or programs established, and clear lines of causality cannot usually be drawn from an SDO to long-term results, such as the number of new jobs created. Despite the unavoidable complexities, SDOs have a powerful self-interest in developing clear performance standards for themselves—both to improve their own performance and to demonstrate their value to state officials.

Whatever performance standards are adopted should reflect the SDO's primary mission, be it strategic planning, technology development, program implementation, etc. Evaluating SDOs that administer programs may be the easiest because, unlike consensus-building or policy advocacy, its end results are more easily quantified: jobs created, investments leveraged, new sustainable institutional capacity, new businesses begun, number of workers with new skill levels.

The performance framework for EDI of South Carolina is instructive and quantitative. In general, EDI evaluates itself by considering input measures, output measures, and measures of efficiency. In addition, EDI assess how well it is meeting those yardsticks on both an annual and long-term basis.

First, it establishes a baseline. At the beginning of each year, EDI sets comprehensive annual objectives; achievement of those objectives is then evaluated at the end of the year. At the beginning of each new project, EDI decides what quantitative methodology will be used later to measure its economic success. It also estimates the desired economic impact of the project and sets a deadline for that goal.

Next, EDI makes annual assessments. Were the previously set objectives achieved? How many new initiatives were launched? (EDI hopes to initiate at least one new project per year.) Is progress being made toward the long-term economic goals, as measured by the predetermined methodology? What is the ratio of total funds raised for development projects to the state appropriation? (This is EDI's "efficiency measure," which it hopes will be at least a 4:1 leverage ratio. Currently, EDI has a 15:1 leverage ratio.)

Finally, EDI plans to make a long-term assessment of its progress in five-year plans. The evaluation of the 1991-1996 period will be performed by an outside research entity, which will generate bottom line "dollar impact numbers" such as number of new jobs created at specified average wages; number of new loans or equity investments made for certain types or sizes of businesses; and increases in sales or profits for businesses in certain sectors. The long-term evaluation will also generate two efficiency measures—one which divides EDI's aggregate economic impact by the state's total investment (appropriation) in EDI, and another which measures the cumulative leveraging of non-state funds divided by the state appropriation.

The performance of the Oregon Progress Board cannot be measured in such a quantifiable way; it does not administer any programs. Nonetheless, the Board sets specific, measurable workload and performance measures for itself over each biennium. It counts the number of board meetings held; report presentations made; Oregonians who attended presentations; and new benchmark measures created. To measure the Board's performance, counts are also taken of the number of:

- Executive branch agencies that have incorporated benchmarks into their planning and budgeting;

- Local governments that have incorporated benchmarks into their planning and budgeting processes;
- Legislative committees that use the benchmarks in their deliberations; and
- "Lead benchmarks" that have been given priority attention within state government.

Here are some numbers that give a rough idea of the Oregon Progress Board's cumulative impact through the end of 1991. The Board held 22 board meetings, made 204 presentations of *Oregon Shines* and/or Oregon Benchmarks to 9,980 state residents, distributed 22,000 copies of *Oregon Shines* and 15,550 copies of the first Oregon Benchmarks report.

The benchmarks themselves are, of course, the ultimate performance standard for the Oregon Progress Board: Is progress being made? The state legislature expressly answers this question every two years. Its answers reflect less on the Board itself than on state agencies who are expected to achieve their own targets. Yet over the long term, the legislature's judgments will make a telling judgment about the Board itself.

The three other SDOs—Kansas Inc., the Maine Development Foundation and the Indiana Economic Development Council—are not judged by such strict, quantifiable measures. This is largely because these SDOs focus so heavily on process—convening policy players, educating them, hosting forums and the like. Necessarily, strategic planning of this sort must be judged in a more qualitative manner. Has the SDO helped develop a clear, concrete vision for the state? What new data has been generated, knowledge articulated, or analytic frameworks put forward? How has SDO research influenced public debate? How have the decisionmaking capacity and leadership of government officials been enhanced?

From the start, governors or legislators wishing to evaluate SDO performance must accept that their most significant achievements will not be given to quantification. The primary touchstones of performance should be the levels of public awareness and familiarity with development issues; the elevation of public knowledge and debate; the building of consensus among policy players; the facilitation of action; and so forth.

All sorts of numerical surrogates for these processes can be imagined. Poll statistics could confirm that public concern about education issues has risen due to SDO activism. The budgets for development programs "birthed" through an SDO could be totalled. The number of SDO reports distributed, or the extent that SDO reports are quoted, are suggestive. For some SDOs, one significant measure is the market's response to its programs expressed annually in the state appropriation, membership dues, etc. In the end, a successful SDO will not really need to toot its horn too much. The policy community, at least, should be fully aware of the valuable contributions that an SDO makes, beyond the need to enumerate and quantify.

Balancing Competing Concerns

As mentioned in Chapter 3, successful SDOs are often tempted into assuming a wide range of projects, sometimes at the expense of their core mission. The danger is that, as new commitments and "issue fronts" expand, conflicting priorities will cause the SDO to lose control of its agenda. "The more successful you are," warns Charles Warren, president of Kansas Inc., "the more you're pulled into non-strategic development issues and activities."

How does an SDO steer a steady course and avoid distractions? Attractive as it may be to expand into diverse areas, our conversations suggested that SDOs should

"stick to the knitting" of their central missions, at least initially, in order to maximize their impact and build a solid reputation. Charles Warren, president of Kansas Inc., sits on the boards of twelve different organizations. While this has given him a wide network of contacts which often helps Kansas Inc., in other ways Warren risks becoming overextended through his scattered expenditures of time and attention.

Perhaps the most common distraction from an SDO's core mission is the implementation of programs. Most SDO presidents agree that there is an inherent tension between strategic planning and program implementation. While a happy balance can be struck between the two, the ongoing program obligations tend to have the upper hand. It takes a special resolve to stay focussed on strategic planning because its abstract, long-term goals rarely command the same urgency as a here-and-now administrative matter.

Spinoff projects do not only impose a basic structural tension on an SDO. They create complex subsidiary problems of their own. For example, if an SDO wants to spin off a fledgling project to someone else, it bears the burden of identifying that "someone else"—a foundation, a civic group, etc.—and ensuring that the project will continue on a similar trajectory with adequate funding and strong leadership. Even if these challenges are surmounted, an SDO will want to prevent spinoff projects from competing with it for the same foundation grants. The Maine Development Foundation deals with this issue by getting pledges up front from funders that MDF funding will not dry up if the spinoff project is successful.

Bothersome as spinoff projects and multiple campaigns can be, they are the sign of a flourishing SDO. No simple solution exists except to be acutely aware of how one's time and energy are allocated.

Bolstering the Internal Support Systems of SDOs

Even the most active, effective SDOs are lean organizations that accomplish a great deal with only modest staffs and infrastructure. Their strong, politically sophisticated and even charismatic leadership usually originates with their presidents, who carry an extraordinary load of administrative, strategic and intellectual responsibilities. Such leadership is obviously a plus, but it can also entail severe institutional stress and burnout for both the president and top staffers.

It is therefore easy to overlook, especially in successful SDOs, the urgent need for internal support systems. SDO presidents need peer support that can come from talking with other SDO presidents. Their work, after all, is not part of an established discipline or profession; it is a free-form, innovative dive into the messy complexities of state politics, government, program administration, and a welter of other concerns. In terms of professional support, SDO presidents would benefit from having a standing body for "peer review," so they could share ideas and receive mutual support from each other. In a more ambitious vein, SDOs would benefit from having some sort of national association which could serve as a clearinghouse for their concerns. (See section J below.)

Internally, SDOs would also benefit from some program of leadership development. SDO presidents, like circus performers trying to keep twenty-five twirling plates from falling, need help. They need deputies who can share in the leadership and administration of the SDO, and who could step into their shoes if need be. With so much of an SDO's effectiveness falling upon the president, continuity of leadership could suffer if the SDO does not have a second tier of professionals with similar expertise and personal connections.

While SDOs definitely need more internal support, there are dangers in trying to bureaucratize SDO functions too deeply. There are distinct advantages to an SDO

being flexible and fragile. Perversely enough, institutional insecurity keeps SDOs fresh, vital, aggressive and nimble. That is because SDOs are driven by visionary personal leadership, not by institutional systems or money. They are "missionary" enterprises. The challenge is to ensure that SDO leadership has generous support without inducing complacency.

Using SDO Boards Effectively

SDO boards typically have a blue-chip array of state leaders—elected leaders, agency officials, business people, constituency leaders. Perhaps because these people are themselves so busy and overextended, they are often not as active in helping the SDO as they could be. This is unfortunate, because board members are rich repositories of expertise and contacts. An underutilized board means that the SDO is not realizing its true potential. It also means that the president is shouldering a heavier burden of leadership than necessary, often to the detriment of his overall performance.

What should boards be doing? According to a booklet published by the National Center for Nonprofit Boards, individual board members should carry out the following responsibilities:

- (1) Determine the organization's mission and purposes;
- (2) Select the executive;
- (3) Support the executive and review his or her performance;
- (4) Ensure effective organizational planning;
- (5) Ensure adequate resources;
- (6) Manage resources effectively;
- (7) Determine and monitor the organization's programs and services;
- (8) Enhance the organization's public image;

(9) Serve as a court of appeal; and

(10) Assess its own performance.

For SDOs, board members should strive to serve as liaisons with key political, business and civic leaders, and to facilitate the SDO's projects. They can help solicit foundation grants, intercede with important legislators, and help identify valuable sources of policy expertise. More generally, SDO boards should help clarify an SDO's long-term development vision. Boards should be more involved in oversight and policy setting than in specific operational matters.

The best boards among our five SDOs were those which were active, vocal and even "trouble-making." They have a good understanding of what the SDO is trying to do, and are self-confident enough to ask penetrating questions and raise objections. One way that the Maine Development Foundation ensures a strong board is its mandatory attendance policy for its six meetings per year, plus its annual retreat. The retreat is generally a productive occasion for discussion and acting upon major SDO decisions.

Getting board members of a large SDO board to assume a personal responsibility for the organization can be difficult. One SDO president is trying to find ways to more personally engage board members. The solution for another SDO president is to meet one-on-one with various board members throughout the year. That way, board members are more likely to open up and give more candid opinions and make personal commitments.

Using the Media Effectively

Our five SDOs generally do not suffer from lack of media coverage; their reports and conferences and achievements are reported by the major state newspapers, and editorialists accord them respect. Yet all five SDOs agree that they could do a better

job of using the media in a more pro-active, coordinated manner to advance their development vision.

This gap in SDO work seems to be more a matter of limited resources than rational prioritizing. Media outreach is not, initially, an indispensable need for an SDO. Yet if it is to educate the wider public and enlist broader support, an SDO does need to learn how to communicate skillfully through the news media. Jobs for the Future hopes to assist SDOs in this work in the months ahead, in conjunction with the Advocacy Institute of Washington, D.C.

SDO Outreach and Organizing

As individual SDOs begin to become aware of other SDOs, they are beginning to discover common needs and problems. It may still be too early for them to join together on a larger collective project, but several of our five SDOs were interested in exploring joint enterprises.

For example, the collection of original survey data can be very costly, as the Oregon Progress Board discovered in making the first study done by any state of its literacy rates. A great deal of money could be saved if a coalition of SDOs prevailed upon federal data-collection agencies to standardize their data collection in certain ways, or to make it available in disaggregated forms. Currently, much Census data is too broad-gauged and aggregated to be useful to state development policymakers. If common benchmarks for state development could be devised—as inspired by the Oregon experience—states could evaluate their progress with respect to their neighbors.

SDOs might also benefit from periodic gatherings to share their experiences and aggregate their dispersed knowledge. This could range from occasional conferences or retreats, to a full-fledged national association which acts as an information

clearinghouse among SDOs. It has also been suggested that SDOs share development-related legislation that might be of common concern, or perhaps share costs in developing a common public relations campaign to be used in the respective states. It would also be useful for the staffs of different SDOs to meet and trade perspectives on their work.

As the preceding pages suggest, SDOs must confront a number of difficult challenges if they are to survive and grow. But simply being aware of those challenges is the first step toward dealing with them. New approaches are likely to emerge as SDOs gain more experience and share their knowledge with each other.

Conclusion

Strategic development organizations are not likely to transform state economies in one or three or five years. That is because SDOs, at best, are facilitators of the democratic process. The fruits of change can take many years; neither democracy nor development are short-term propositions. One reason that SDOs inspire support, however, is precisely because they have a well-constructed long-term vision. They have a constancy of purpose and an admirable set of goals to serve the commonweal. In an era when our system of self-governance is often paralyzed or distracted, and when the self-interests of single constituencies often prevail against the common good, these are no small assets. Ultimately, however, an SDO is only a vehicle. Its achievements cannot be divorced from the politicians, interest groups, experts and citizens who seek to use it. Any SDO is finally the product of its state's political and social culture, and of its executive director.

Having said all this, few innovations in state development policy hold as much promise as SDOs. They offer a new form of leadership and a new source of hope. They partake of politics yet go beyond politics, pushing it to higher standards of performance. They offer the flexibility and sophistication that state governments, like businesses themselves, are finding so vital in today's world. And they have the potential for rebuilding the sinews of a state's civic culture, and helping the democratic process work.

On the basis of the common functions and challenges that we have highlighted in this report and the great promise we think these organizations hold for recasting state development, we will conclude by offering recommendations to SDOs and other key players in state strategic development policy so that:

- (1) new SDOs may be recognized, nurtured, and oriented to the strategic development policy world of states;
- (2) existing SDOs may be supported and their effectiveness increased;
- (3) SDOs can link themselves up to the "big picture" of strategic development organizing, broadening their bases and involving more agents in the quest for state change; and
- (4) the full potential of SDOs to recast state development policy to be more inclusive, holistic, and in tune with changing needs may be realized.

Jobs for the Future
Strategic Development Organization Meeting

**QUESTIONNAIRE
RESPONSES**

The Inn at Harvard
1201 Massachusetts Avenue
Cambridge, MA

August 31 - September 1, 1992

(1) Are you currently affiliated with an organization? If yes, describe its structure (staff size, board of directors, relationship to the governor's office, etc.). If no, skip to Question 4.

**Arkansas Institute,
Little Rock, AR**

The Arkansas Institute-Center for Public Policy Research consists of an executive director, three research analysts, and an office manager. Their 50 member board of directors represents the State in terms of geography, race, gender, and occupation type. The Institute do not have an affiliation with the Governor's office.

**Bay State Skills
Corporation
Boston, MA**

Erik Payne Butler is currently Executive director of Bay State Skills Corporation. BSSC is a quasi-public corporation chartered by the State of Massachusetts, governed by an independent Board of Directors appointed by the Governor for five years, staggered terms. By tradition, the chair of the board is the Secretary of Economic Affairs. He/she and four other Board members are statutorily on the Board, the balance are "public" members. Currently there are eighteen staff members.

**Commission for
Arkansas Future,
Little Rock, AR**

Our commission is a free-standing program of the state of Arkansas, with legislated responsibility for reporting to the Governor and to the Legislative Council. The Commission consists of 22 citizens, six legislators (3 Senators, 3 House members), and the Director of the Department of Finance & Administration. The staff numbers 5: executive director, research/planning specialist; program outreach coordinator; administrative officer/bookkeeper; and one secretary.

**Legislative Research
Commission (LRC),
Frankfort, KY**

Mary Yeager is staff hired by the director of the Legislative Research Commission (LRC) and assigned to work with a committee of 30 state senators and representatives called the Interim Task Force on Economic Development. the LRC is an independent agency of the Kentucky General Assembly. As staff, Ms. Yeager assists legislators in investigating state laws and agencies, researching policy issues in the area of economic development, drafting legislation and preparing for Task Force meetings.

**Minnesota Technology
Council,
Minneapolis, MN**

**Nebraska Department
of Economic
Development,
Lincoln, NE**

**North Carolina Rural
Economic Development
Center, Inc.,
Raleigh, NC**

Billy Ray Hall is the President of the North Carolina Rural Economic Development Center. The Center employs 18 staff members and has a 46 member Board of Directors. Three members of the Board of Directors are appointed by the Governor. The Center has a working relationship with the Governor's office.

**NYS Job Training
Partnership Council
(JTTC),
Albany, NY**

The New York State Jobs Training Partnership Council (JTTC) has a staff of 15 to provide support to the 50-member organization. These members are appointed by the Governor for three-year terms (private sector, CBOs, organized labor, general public), or as permanent (some government/education appointees such as commissioner of labor, lieutenant governor, etc.).

**Oklahoma Futures,
Oklahoma City, OK**

Gayla Machell is the Staff Director for Oklahoma Futures. However, she is on the payroll of the Oklahoma Department of Commerce. Oklahoma Futures serves as the board of directors for the Department. Essentially, all employees of the Department are responsive to Futures' needs, and some division directors regularly provide Futures with information. The Governor is one of Futures' two co-chairs; the other is selected from the private sector members.

**Rhode Island
Expenditure Council
(RIPEC),
Providence, RI**

(2) Would you consider your organization to be an emerging, existing, or well established SDO?

**Arkansas Institute,
Little Rock, AR**

The Arkansas Institute-Center is an emerging SDO, at the start-up stage in all respects.

**Bay State Skills
Corporation
Boston, MA**

BSSC is in its eleventh year. It has always emphasized its training mission, with less attention paid to strategic economic development. I am new (nine months, now), and have sifted the agenda a few degrees to focus more directly on strategic technical and training support to "emerging" industries--mostly but not exclusively medium-to-higher technology, adopting an "industry cluster" approach to our strategic development. We now offer technical assistance as well as training resources to companies.

**Commission for
Arkansas Future,
Little Rock, AR**

The Commission is "emerging," and faces a "sunset" clause in its legislation from 1989—depending on the successful outcome of our proposing to the Governor and the Legislature that the effort be continued. We have proceeded with that goal in mind, treating the challenge of long-range planning to be one of process. We think long-range planning should be permanently established within state government and are recommending that there be no disruption in our program.

**Legislative Research
Commission (LRC),
Frankfort, KY**

The LRC has been involved in SDO activities through various of its committees and policy functions. In 1992, the Task Force created a Special Subcommittee on Economic Development Structure and Programs to propose legislation to establish a state strategic economic development process. This restructuring of state government's economic development function and focus became 1992 House Bill 89 and was passed by the General Assembly and is effective as of July 15, 1992.

**Minnesota Technology
Council,
Minneapolis, MN**

**Nebraska Department
of Economic
Development,
Lincoln, NE**

**North Carolina Rural
Economic Development
Center, Inc.,
Raleigh, NC**

The Center is an existing organization with five years of successful program development to our credit.

**NYS Job Training
Partnership Council
(JTPC),
Albany, NY**

The Council was created by Executive Order in 1983. It influences education and training policy, provides program oversight and makes recommendations to the Governor on \$900 million in state and federal programs.

**Oklahoma Futures,
Oklahoma City, OK**

Oklahoma Futures is an emerging SDO.

(3) How is your organization funded?

**Arkansas Institute,
Little Rock, AR**

The Arkansas Institute-Center is funded through private donations.

**Bay State Skills
Corporation
Boston, MA**

Of a \$4 million FY '93 budget, 45% comes from an annual state appropriation, another 45% from state and federal grants and contracts and the balance from private and corporate sources. Training dollars from private sector sources match for an additional \$600,000.

**Commission for
Arkansas Future,
Little Rock, AR**

Our core budget for a staff of two is provided by general revenue from the state of Arkansas. A modest private-sector fund-raising effort supplemented the Commission's beginning work until state funding and our major grant from the Economic Development Administration, a 302(a) State Planning Grant, was received last fall.

**Legislative Research
Commission (LRC),
Frankfort, KY**

The LRC is funded by revenues from the Kentucky General Funds.

**Minnesota Technology
Council,
Minneapolis, MN**

**Nebraska Department
of Economic
Development,
Lincoln, NE**

**North Carolina Rural
Economic Development
Center, Inc.,
Raleigh, NC**

The Center receives approximately 80% of its funds from the General Assembly and 20% from Foundations and private donations.

**NYS Job Training
Partnership Council
(JTPC),
Albany, NY**

**The Council is funded with Federal resources provided under the Job
Training partnership Act.**

**Oklahoma Futures,
Oklahoma City, OK**

**Futures does not receive separate funding, but the Department is
required to provide staffing, etc. The Department also is required to
designate one person as the staffperson for Futures, paid for out of
Department general funds.**

(4) How do you define strategic development?

**Arkansas Institute,
Little Rock, AR**

Identification of underlying causes of persistent statewide problems followed by action plans to make the needed basic changes over time—not short-term or one-time interventions.

**Bay State Skills
Corporation
Boston, MA**

Unlike pure state organizations (e.g., departments and secretariats), BSSC exists to be future-oriented. We are somewhat like moderately sophisticated stock-pickers. We gather as much information about likely match between our workforce and emerging industries as we can, then we guess. We invest our small resources in technical support and training programs with an eye to leveraging current public and private resources toward future industries and careers.

**Commission for
Arkansas Future,
Little Rock, AR**

Development goals (set within a context of a positive, long-range vision) with strategies designed to focus action to achieve specific, timed objectives. We view development as a broad set of challenges involving economic development in the standard sense, but emphasizing human resource development and improvement of the quality for people and communities.

**Legislative Research
Commission (LRC),
Frankfort, KY**

Strategic development is a dynamic process undertaken by policy makers and planners to improve the likelihood of desired outcomes within a system. It includes a planning phase that articulates underlining principles and assumptions which lead to priority goals. Approaches, activities and interventions are devised to respond to a changing environment which remains fluid.

**Minnesota Technology
Council,
Minneapolis, MN**

**Nebraska Department
of Economic
Development,
Lincoln, NE**

**North Carolina Rural
Economic Development
Center, Inc.,
Raleigh, NC**

The implementation of a strategic plan! In all seriousness, strategic development is the undertaking of those key activities that provide for the achievement of agreed upon goals and objectives.

**NYS Job Training
Partnership Council
(JTTC),
Albany, NY**

"Strategic development" is a process of analyzing a problem and devising ideas of what should be done and how to do it in a rational, responsible, and realistic manner.

**Oklahoma Futures,
Oklahoma City, OK**

Strategic development, in my opinion, is assessing a current situation or reality; setting a vision of what is desired for the future; and deciding steps for reaching that vision or goal. In terms of economic development, this has to include a complete thinking-through of what we want for our state in the future, i.e. does our vision include an education population with high-paying jobs or a lot of factories, etc..

(5) What role does your organization or government branch currently play in your state's strategic planning and development?

**Arkansas Institute,
Little Rock, AR**

Role is not yet established.

**Bay State Skills
Corporation
Boston, MA**

We are coming to be seen as the R & D organization for the branches of economic development that include workforce preparation. We look at future trends and current developments and concentrate our resources on demonstration programs and technical assistance designed to improve the capacity of local and other state governmental and training organizations to improve local services. In this role, we work as resource to the Mass Jobs Council, the state Department of Employment and training and the Mass Department of Public Welfare, as well as to the more "straight" economic development agencies of the state.

**Commission for
Arkansas Future,
Little Rock, AR**

We are in the process of shaping a "comprehensive strategic plan" which we will propose to drive decision making and to focus agency (and private sector, to the extent possible) strategies across agency lines to address long-range goals for Arkansas. The unique aspect of our role these first two years has been that we have involved more than 1500 citizens directly (any many more, indirectly) in building a constituency for planned, positive change through long-range planning . . . a grassroots effort not seen for many decades (if ever). We see a much-needed role in educating the public around key issues facing the state, and in beginning to understand the nature of "comprehensive" economic development.

**Legislative Research
Commission (LRC),
Frankfort, KY**

The Task Force on Economic Development has through its committee work and House Bill 89 attempted to bring private and public sector individuals together to begin strategic development in the area of economic development. It also is involved in oversight of the strategic development process currently being implemented by the State's leading economic development agency, as a result of House Bill 89.

**Minnesota Technology
Council,
Minneapolis, MN**

**Nebraska Department
of Economic
Development,
Lincoln, NE**

**North Carolina Rural
Economic Development
Center, Inc.,
Raleigh, NC**

We provide three roles:

- 1) We identify critical long term rural economic development issues and develop consensus on the significance of the issues.**
- 2) We test all programs in rural settings and develop public or private policy proposals.**
- 3) We assist in implementing programs over policies for rural economic development.**

**NYS Job Training
Partnership Council
(JTPC),
Albany, NY**

The Council plays a prominent role in New York State's strategic planning and development. One of our major responsibilities is the development of the Governor's two-year "strategic" plan which guides local planning activity under JTPA and state agency planning and operations in terms of coordination among programs. We also contribute to the human resources policy development in the State's economic development strategic plan.

**Oklahoma Futures,
Oklahoma City, OK**

Oklahoma Futures serves as the state's main economic development policymaking board. Since this is a broad mission, Oklahoma Futures could affect areas such as education, health care, transportation, as well as traditional economic development programs.

(6) What do you see as the potential role of a Strategic Development Organization in your state?

**Arkansas Institute,
Little Rock, AR**

Bringing credible factual information to the public decision making process, which is otherwise influenced by uninformed opinion, partisan political agendas, special interest positions, etc.

**Bay State Skills
Corporation
Boston, MA**

The role I described in (5) is the potential role: we are still developing and negotiating it as we speak. The key balancing act is to be initiatory and self-starting without being perceived as too independent and not accountable.

**Commission for
Arkansas Future,
Little Rock, AR**

As stated in 5: focusing state efforts across agency lines; developing dialogue and efforts with the private sector; providing a vehicle for citizen participation in planning; beings a means for ongoing citizen education about key issues; to focus on informed decision-making and action; developing leadership around these issues, toward understanding and action, as needed.

**Legislative Research
Commission (LRC),
Frankfort, KY**

Offering guidance, direction and insight related to specific strategic development processes and successful governmental approaches to economic development and workforce training.

**Minnesota Technology
Council,
Minneapolis, MN**

**Nebraska Department
of Economic
Development,
Lincoln, NE**

**North Carolina Rural
Economic Development
Center, Inc.,
Raleigh, NC**

The SDO's in our state are a critical element in developing effective partnerships across government and the private sector; are critical to new program development since they serve as incubators of programs, and are the key to long term issues; inasmuch as, most groups tend to focus on short term issues.

**NYS Job Training
Partnership Council
(JTTC),
Albany, NY**

A Strategic Development Organization is a catalyst or setting goals and objectives and stimulating other organizations to become actors in the process aimed at producing a better product or service. It is also a medium for debate, negotiation, compromise and consensus on complex and cross-cutting public policy issues.

**Oklahoma Futures,
Oklahoma City, OK**

Oklahoma Futures could be the most powerful SDO in Oklahoma, but it is a long way from that role currently.

(7) What new frontiers or neglected areas do you see in your state regarding strategic development?

**Arkansas Institute,
Little Rock, AR**

Having spent the past 50 years moving from a position of deprivation relative to most other states, Arkansas is now very well positioned to take advantage of changing world conditions and to significantly improve economically and socially. To best capitalize on opportunities while avoiding potential negative impact on the work force, environment, etc., will require the kind of leadership and information the Arkansas Institute will provide.

**Bay State Skills
Corporation
Boston, MA**

- 1) The above-described focus on support and development of industry clusters
- 2) Support for a beleaguered manufacturing industry, especially those hit by defense cuts—a small and middle-sized group of companies
- 3) A tighter tie between workforce development and education reform, both K-12 and higher education
- 4) Within (3), a particular focus on building ties among schools, companies and human service agencies

**Commission for
Arkansas Future,
Little Rock, AR**

To help Arkansas understand the economic development is not just "smokestack chasing," hoping/praying/working to lure an industry INTO the state.* Providing a vehicle for communication, coordination, and focusing on actions to address issues which are not neat packages within existing agencies. To provide a clearly understandable way for citizens to track progress toward meeting stated goals - and to develop an accountability indicator system which will allow this tracking to be discussed in a common, easily understood language which will link citizens, elected officials, and state agencies and their officials.

*Community development, quality of life, human resource development, support infrastructure, leadership concerns, etc.

**Legislative Research
Commission (LRC),
Frankfort, KY**

Implementation of House Bill 89, which provides for a professional economic developer as agency head and a strategic planning process with measurable benchmarks is the greatest challenge.

**Minnesota Technology
Council,
Minneapolis, MN**

**Nebraska Department
of Economic
Development,
Lincoln, NE**

**North Carolina Rural
Economic Development
Center, Inc.,
Raleigh, NC**

We must be able to effectively shorten the time required to develop, test and implement new policies and programs for rural development. SDO's, in concert with state and local, and private groups are key to success in this effort.

**NYS Job Training
Partnership Council
(JTPC),
Albany, NY**

Education and training policy is one of the new frontiers in every state and nation in terms of strategic development. While this area has not really been neglected, the practical definition of training has largely excluded education and vice versa. However, these distinctions need to be broken down to make better use of existing tools and knowledge to upgrade skills among both students and workers in order for us to meet the challenges of international competitiveness.

**Oklahoma Futures,
Oklahoma City, OK**

Essentially, there are no SDOs in Oklahoma with statewide constituencies. The primary existing SDO is the Academy for State Goals, a primarily private sector group. Futures was designed to serve as an SDO which brought the Legislature together with the Executive Branch for comprehensive, long-term planning. This void--comprehensive, statewide planning--still exists.

(8) Does your organization or governmental branch have linkages with other organizations or government offices to promote better strategic development? Is so, please describe.

Arkansas Institute,
Little Rock, AR

While the AI will not be an advocacy organization, its mission is action-oriented. Part of the development of the AI will involve cultivation of linkages to entities/organizations that have the commitment and capacity to implement policy recommendations.

Bay State Skills
Corporation
Boston, MA

See (5), plus increasingly close relationships with industry groups representing selected "clusters" - e.g., Biotech Council, Environmental Business Group, Massachusetts Software Council, et.al.

Commission for
Arkansas Future,
Little Rock, AR

We will be proposing such linkages. We are already linked somewhat with the executive and legislative branches of government, with the Economic Development (and planning) Districts, 8 of which cover the state.

Legislative Research
Commission (LRC),
Frankfort, KY

The LRC as an arm of the General Assembly has an ongoing and active relationship with the Executive Branch of state government and the business sector which has an interest in economic development.

Minnesota Technology
Council,
Minneapolis, MN

Nebraska Department
of Economic
Development,
Lincoln, NE

North Carolina Rural
Economic Development
Center, Inc.,
Raleigh, NC

Yes, we partner on brainstorming, we have joint Board appointees, we co-author research, we jointly undertake demonstration projects, we jointly advocate and we work constantly to improve linkages between groups. Our theme is partnerships for success.

**NYS Job Training
Partnership Council
(JTTC),
Albany, NY**

The Council includes as members the heads of the major state agencies responsible for education, training, human service, and economic development policy, and programs. We also work closely with individual agencies, interagency efforts, and non-governmental agencies, e.g., the association of Private Industry Councils in New York State, in numerous strategic development activities.

**Oklahoma Futures,
Oklahoma City, OK**

Oklahoma Futures has many of the same members as the Academy for State Goals, and the two groups share many goals. Also, Oklahoma Futures has several members, statutorily-designated by their positions, i.e. the governor; lieutenant governor; speaker; pro temp; chairs of both houses' economic development committees; presidents of OU and OSU; president of State Chamber; president of state AFL-CIO; representatives of Cattlemen's Association and Wheat Growers Association. These memberships tie in the groups, at least theoretically.

(9) What types of collaborative relationships do you think are necessary to establish/maintain as SDO?

**Arkansas Institute,
Little Rock, AR**

The AI mission of catalyzing action without direct advocacy makes the relationships to downstream action organizations particularly critical. The AI's responsibility is to identify those organizations then prepare and disseminate information in forms which are understandable and will encourage action by the various audiences.

**Bay State Skills
Corporation
Boston, MA**

Both public and private links with organizations and companies in the same or related businesses. We are looking to co-fund (leveraging our small dollars with larger amounts of other public dollars), to build local partnerships among companies and educational institutions, and to tie more closely with the executive and legislative policy apparatus to see that lessons from the demonstrations we do have long-run systemic change effects.

**Commission for
Arkansas Future,
Little Rock, AR**

Efforts such as this with Jobs for the Future, with the Mid-South Foundation (a new, regional entity linking Arkansas, Mississippi, and Louisiana), with a handful of (non-profit) private-sector programs like the Rockefeller Foundation, the Arkansas Institute, and Winrock International, all have the potential to foster collaborative efforts. Other state programs, the expected agencies like the Arkansas Industrial Development Commission, and newer, less developed ones like the Rural Advocacy Office, are entities that we consider it important to work in concert with.

**Legislative Research
Commission (LRC),
Frankfort, KY**

I do not know, except that an active level of commitment of time and effort would surely be involved.

**Minnesota Technology
Council,
Minneapolis, MN**

Nebraska Department
of Economic
Development,
Lincoln, NE

North Carolina Rural
Economic Development
Center, Inc.,
Raleigh, NC

- 1) Funding
- 2) Policy Development
- 3) Research Initiatives
- 4) Board Communication
- 5) Program Development and Testing

NYS Job Training
Partnership Council
(JTTC),
Albany, NY

The types of collaborative relationships necessary to establish/maintain a strategic development organization are those that involve prominent officials as key participants in specific tasks or activities which will enhance their organizations as well as working to achieve the greater good.

Oklahoma Futures,
Oklahoma City, OK

Since Oklahoma Futures involved government and the private sector, I am speaking from that perspective. With that perspective, I feel it is necessary for the executive branch, legislature and private sector to be involved in policy changes that are going to affect the state. It is impossible for change to occur without the involvement of those groups as well as other groups with vital interests, i.e. AFL0CIO, specific professional associations, etc.

(10) What percent of your current or intended work address rural concerns? urban concerns?

**Arkansas Institute,
Little Rock, AR**

Both urban and rural issues will be addressed.

**Bay State Skills
Corporation
Boston, MA**

70% urban, 30% rural, calculated by location of companies, participants in programs.

**Commission for
Arkansas Future,
Little Rock, AR**

No percent yet - but Arkansas is considered to be one of the most rural of states, with 65 of our 75 counties designated as rural. We are committed to work closely with the new Office of Rural Advocacy and with the soon-to-be-established President's Rural Development Council, for Arkansas has been chosen to be a second-year pilot state for that Council program. We are very interested in developing telecommunications as a means of involving citizens and educating them around state and regional issues - reaching our largely rural-based population innovatively - going to where the people really are.

**Legislative Research
Commission (LRC),
Frankfort, KY**

Both of these concerns affect the Task Force on Economic Development as Kentucky has a large rural contingency.

**Minnesota Technology
Council,
Minneapolis, MN**

**Nebraska Department
of Economic
Development,
Lincoln, NE**

**North Carolina Rural
Economic Development
Center, Inc.,
Raleigh, NC**

Rural concerns = 95%
Urban concerns = 5%
(With overlap, then 70%)

**NYS Job Training
Partnership Council
(JTPC),
Albany, NY**

We do not differentiate our activities between urban or rural concerns. However, we are sensitive to the differences that exist between urban and rural populations and communities, and try to ensure that rural issues are represented in Council deliberations and activities.

**Oklahoma Futures,
Oklahoma City, OK**

Urban = 75%; rural = 25%. this is arbitrary, however, since most of my work concerns policy for the entire state without any group broken out, such as improvements in higher education, international development, common ed., etc.

(11) What would make this meeting most worthwhile to you?

**Arkansas Institute,
Little Rock, AR**

Examples of what other organizations have done; both successes and problems encountered - in all aspects from staffing to board structures to issues selection and communication methods for various audiences. Opportunity to meet others currently engaged in start-up and ongoing operation of similar organizations.

**Bay State Skills
Corporation
Boston, MA**

Open exchange of ideas, strategies among the group; minimal dog and pony behavior, even less "instruction" by experts.

**Commission for
Arkansas Future,
Little Rock, AR**

The networking, sharing, perspectives which I would be exposed to, particularly with organizations that are further along in their work. The staff should prove to be a great resource to our work, too. We don't want to "reinvent the wheel" anymore than necessary! States truly are, as David Osborne titled it, "Laboratories of Democracy," and we need to share our successes and our failures in those laboratories. Advice on "making the case" with compelling arguments for the role of a long-range planning program at the state level, since there is some resistance to "expanding state government," versus just "issuing the report" or long-range plan, and then walking away from it. No one thinks the latter is effective - but some fear planning, having negative "baggage" about it.

**Legislative Research
Commission (LRC),
Frankfort, KY**

A clear understanding of the purpose, function, and direction of the Jobs for the Future Strategic Development efforts.

**Minnesota Technology
Council,
Minneapolis, MN**

**Nebraska Department
of Economic
Development,
Lincoln, NE**

**North Carolina Rural
Economic Development
Center, Inc.,
Raleigh, NC**

- Effective transfer of how-to on programs
- Effective sharing of new successful programs
- Effective sharing of the cutting edge policy ideas that are emerging
- Effective network development with other SDO's

**NYS Job Training
Partnership Council
(JTPC),
Albany, NY**

Our Council has had some interaction with Jobs for the Future and I have heard good things about your efforts. Therefore, I hope that this meeting will help build a better relationship between NYS Job Training Partnership Council and Jobs for the Future. I am also very interested in exploring Strategic Development. Clearly, our current mechanisms for problem solving and fostering change are inadequate. I look forward to hearing new ideas.

**Oklahoma Futures,
Oklahoma City, OK**

If this meeting provides interesting approaches to how other SDOs are successfully working together and solving problems, changing policy, it will be successful to me. One of my main concerns is how to help Oklahoma Futures work as an effective board since it has 1/2 private sector members who don't know how to operate in a bureaucracy or with elected officials, and the other members live and die in the bureaucracy.

Rural Survey Responses

**Strategic Development Organization
Skill Building Workshop**

August 31 - September 1, 1992

Section 1: What are the primary rural issues affecting your state (top 3)?

Label	Frequency (x=12)	%age of Total Respondents
Job Base	8	67%
Education system	7	58%
Infrastructure	5	42%
Capacity of local governing units	3	25%
Lack of consensus on solutions	3	25%
Other: Leadership	2	17%
Demographics	1	8%
Misinformed public, prevailing myths	1	8%
Other: Access to capital	1	8%
Other: Decreasing tax base	1	8%
Other: Inventing a new future	1	8%
Other: No rural strategy	1	8%
Other: Recognition of county government	1	8%
Other: Regulatory process	1	8%
Communications	0	0%

(Note: Respondents did not identify the order of importance of these issues.)

Section 2: Rural areas are often defined by various central characteristics. For the typology of rural areas listed below, what specific policies and programs in your state are aimed at these kinds of communities?

Agricultural production. An "extension system" seems to be the most frequent response with 42% (5) of the total sample. Three responded (25%) with answers like "I don't know" or "very little support." Two responded (17%) by naming the agricultural products that are supported, e.g., tobacco and vegetables. Two responded (17%) by identifying a need to support financing and loan programs for farmers.

Food processing. 50% (6) of respondents indicated that there is very little state-wide support for food processing. This support includes financing and policy. 50% (6) of respondents indicated that bringing new facilities or supporting existing facilities was very important to this program. Some respondents identified names of stores or food processing facilities.

Rural manufacturing. 25% (3) respondents said that their states supported "business clusters" as a means to fortify small-to-medium sized manufacturing companies. Another 25% (3) said that their state had no solid programs or did not know the answer to the question. The rest of the sample offered a wide range of responses:

- A development committee tries to work with the rural entities
- An industrial extension service exists and TA is provided
- existing technology
- R+D tax credit for job creators
- trying to bring in additional facilities to state

Mineral extraction/processing. 75% (9) of all respondents indicated that their state has no such programming and/or that they have no knowledge of this type of programming. 17% (2) acknowledged that the state is involved in the financing or development of this effort. 8% (1) said that a state institute already exists to work on the issue.

Recreational/leisure. 50% (6) of respondents identified their state's recreational efforts as tourism. 25% (3) did not know the answer. 17% (2) mentioned state grants or low-interest financing. One respondent responded simply with "NDN" without any further explanation.

Ex-urban/metropolitan fringe. 75% (9) did not respond or indicated that there was no such state program. The other three responses mentioned:

- "A wide variety of options"
- Industry clusters
- Tax incentives; state funding; enterprise zones

Section 3: Please pick one of the issues you selected in Question 1 and use it as the context to describe the barriers that impede state government from responding to the economic and social needs of rural communities? (You may also want to place your answer with the context of a specific type of rural community as outlined in Question 2.)

Problems within Administration/Lack of Government Leadership. Five respondents indicated that this theme was the most problematic for their rural communities. Three of the responses detailed a "drastic lack of leadership," "a lack of understanding, expertise, staff, focus" and a "lack of recognition [that individual rural areas are part of an integrated economy, but unique to themselves with diverse strengths and weaknesses.]" Two responses indicated a mismanagement of resources by the State. One said that "department-based programs are the problem," that the State needed a "new organizational framework to focus [an] adequate level of resources on market based needs" while the other sighted jurisdictional fragmentation over resources by State programs that overlap and a political system that impedes progress.

Education. Two respondents said that their state's education systems were flooded with belligerent bureaucrats. One said that there has been an ongoing battle for the consolidation of hundreds of school districts, suggesting that their progress is only hampered by this ongoing struggle. The other respondent compared their school systems with the "1920's Ford Motorcar: input driven, no accountability and no quality focus." They stated that there is a misplaced concern for bureaucracy over the individual and status quo over adapting to the new. For them, it would seem that their systems are obsolete and dysfunctional.

Industry. Two respondents said that this issue, in some way, impairs their state's rural community functioning. It is interesting though that the respondents made diametrically opposed arguments. One said that industry needs to be better situated within the state, in communities with more industrial parks, a stronger and more accessible infrastructure and with higher quality education systems. Their focus was on channeling all resources into centralized industry bases. The other respondent compared the need to centralize industry with resources as a "prevailing myth," and that part of that myth is to "recruit an industry(s) from outside to solve our problems" from within. This respondent feels a "quantum leap" is needed "to arrive at today's realities."

Other:

- **Jobs.** There are too many unemployed workers without the necessary skills to obtain or to maintain jobs.
- **Environmental regulation dysfunction?** New, overstructured environmental regulations (for clean air, planning and development) have created barriers to the establishment of new business because they

caused delays in the review process, incur big expenses, have unknown outcomes and conflict with other environmental standards.

- **Defense cuts.** Cuts in the defense budget combined with market losses have crippled large sections of the state metalworking and machinery industry causing panic on the state-wide level.

Section 4: What mechanisms would best encourage states to further develop strategies and practices to support rural communities?

No response. Four respondents did not have any specific suggestions to support rural communities.

What do the neighbors think? Three respondents said that states with significant rural areas need to be educated about the successful economic models in other states.

Other:

- Encourage strategic planning for local communities.
- Having economic development incentives going to rural industries.
- Network of service providers driven by market feedback.
- Statewide rural summit conference held to explore the issue.
- Try to remain customer-focused, not state-focused.

Jobs for the Future Rural Survey

The following survey is to expand JFF's understanding of the "state" of state rural policy.

Name: _____

Organization: _____

1) What are the primary rural issues affecting your state (check top 3)?

- ☐ Capacity of local governing units
- ☐ Education system
- ☐ Demographics
- ☐ Infrastructure
- ☐ Job base
- ☐ Lack of consensus on solutions
- ☐ Misinformed public, prevailing myths
- ☐ Communications
- ☐ Other _____
- ☐ Other _____
- ☐ Other _____

2) Rural areas are often defined by various central characteristics. For the typology of rural areas listed below, what specific policies and programs in your state are aimed at these kinds of communities?

Agricultural production

Food processing

Rural manufacturing

Mineral extraction/processing

Recreational/leisure

Ex-urban/metropolitan fringe

Other

- 3) Please pick one of your issues selected in Question 1 and use it as the context to describe the barriers that impede state government from responding to the economic and social needs of rural communities? (You may also want to place your answer within the context of a specific type of rural community as outlined in Question 2.)

- 4) What mechanisms would best encourage states to further develop strategies and practices to support rural communities?