



Communities in the Lead



The Northwest Rural Development Sourcebook

by Harold L. Fossum

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Northwest Policy Center
University of Washington
Graduate School of Public Affairs

January 1993

Preface

Throughout the many months of preparation of this sourcebook, the overriding goal has been to improve access to ideas and assistance now available to community leaders as a way of empowering community-based revitalization efforts in rural areas of the Northwest. From the start, we fixed this imperative on two areas.

First is **capacity building**. Development leaders and experts in the field have come to agree that the most successful rural revitalization efforts are steered by local activism. While state and federal actions can provide thrust, communities themselves can and must lead the way. Otherwise, rural revitalization risks being little more than, as one analyst put it, "a collection of programs, expenditures, and regulations launched almost indiscriminately at an undefined target called development." Managing the revitalization process requires skill and perseverance. Capacity building strives to improve the ability of community groups (often volunteers) to shape practical goals from the dreams and opportunities of local people; to effectively marshal resources from within and outside the community in pursuit of these goals; and, in time, to evaluate and redirect their efforts. The first four chapters of this work provide the best ideas, analysis, technical assistance resources, and printed tools we could find on this topic.

Second is **value added enterprise development**. While natural resource industries will remain an important part of rural life, employment in the production of commodity goods will almost certainly continue to decline. Economic development leaders at every level have turned to the task of building a new base of value added enterprises as one way to squeeze jobs back into the natural resource sectors. Value added enterprise development strategies attempt to maximize the local benefits captured through design, processing, and marketing of goods. Interest in this is not new, but few workable options have been developed for communities that need them most. The final chapters introduce relatively new thinking about strategies that are guided at the community level and by the enterprises themselves.

Scores of agencies, private companies, university programs, and individuals offer direct support for community economic development groups today. We wrestled over how best to present them, and concluded that the most pressing need is for a more selective review highlighting the main "hub" assistance providers, how they work, and what resources they bring to the task. Less detailed, more extensive listings are available from a variety of sources. Some of the best of these available in the Northwest are described at the end of Chapter 3. Chapter 4 provides a similar review of published guides to community economic self assessment. There are good resources that could have been reviewed in greater depth. We found no evenhanded way to select from the great many services offered by companies in the private sector. The difficulty of

finding and ordering these resources, even when the task is pursued full-time, speaks volumes about the challenge facing community groups undertaking the same task.

This sourcebook was researched and written primarily by Harold L. Fossum, a policy analyst at the Northwest Policy Center. Along the way, many others have provided invaluable help. Among them are Michael Jakubcin, who ably researched and wrote the great bulk of Chapter 4. Kirk Johnson researched and drafted the telecommunications section of Chapter 3. Pam Gross's guidance throughout the entire book was inspired. Lisa Arbuthnot worked tirelessly to format and publish it.

The work was completed with the generous support of the Ford Foundation and the Aspen Institute's State Rural Policy Program.

To these and many others who have patiently supported this effort go my heartfelt thanks.

Hal Fossum
December 1992

Northwest Policy Center

The Northwest Policy Center is an initiative of the Institute for Public Policy and Management in the University of Washington's Graduate School of Public Affairs. The Center carries out policy research, designs and evaluates policy alternatives, and fosters a continuous exchange among those seeking to meet the economic challenges facing people in the states of Alaska, Idaho, Montana, Oregon, and Washington.

The Rural Policy program of the Center works with policy makers and practitioners at the state and local levels to enhance the prospects for vital rural communities today and in the future. The program pursues its mission by researching and writing about promising practices in rural revitalization, advising policy makers and program administrators, and convening state and community leaders. Other programs of the Center concentrate on the related fields of workforce training, value added enterprise development, and environmental sustainability.

The Northwest Policy Center was formed in the fall of 1987 through a grant from the Northwest Area Foundation, which recognized that the states and communities of the Northwest have entered a new world of uncertainty. In order to maintain economic vitality, the states of the region must evaluate and reshape every tool at their disposal to more sharply focus on the future.



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Table of Contents



List of Figures	<i>vi</i>
Chapter 1	1
The Development Challenge in the Rural Northwest	
Chapter 2	29
Small Town Strategies for Building Development Capacity	
Chapter 3	47
Resources for Community Leaders in the Northwest	
Federal Regional Development Organizations	50
State Services for Community Capacity Building	71
Telecommunications Resources for Rural Economic Development	91
Social and Economic Data Resources	101
Development Directories: What, Where and How Much?	122
Chapter 4	135
Community Self-Assessment Tools	
Community Strategy Guides: What, Where, and How Much?	165
Chapter 5	173
Value Added Strategies for Rural Economic Development	
Chapter 6	193
Cooperating to Compete: Manufacturing Networks	
Bibliography	208

List of Figures

Figures in Chapter 1

Figure 1.1	Census Bureau Definitions	2
Figure 1.2	Distinctions Between Distressed Areas in Rural Versus Urban Washington	4
Figure 1.3	Rural-Urban Continuum Code	5
Figure 1.4	An Economic Typology of Rural Counties	6
Figure 1.5	Northwest Counties Classified by Social and Economic Structure	7
Figure 1.6	A Rural Urban Trade Center Hierarchy	9
Figure 1.7	Fighting the Rural Myths	10
Figure 1.8	About that rope swing...	10
Figure 1.9	Are Small Towns Obsolete?	11
Figure 1.10	Objectives of Rural Development	12
Figure 1.11	Two Perspectives of Economic Development	13
Figure 1.12	Economic Base Theory	15
Figure 1.13	Shift Share Analysis	18
Figure 1.14	A Typology of Rural Development	22

Figures in Chapter 2

Figure 2.1	Community Leadership Innovations: Generating Basic Employment Through Non-Enterprise Activities	31
Figure 2.2	The Obsolescence Test	33
Figure 2.3	Characteristics of High Growth Areas	35
Figure 2.4	Principles of Effective Community Revitalization	36
Figure 2.5	Leadership and Revitalization of Resource Dependent Communities	36
Figure 2.6	Innovations in Capacity Building: Engaging Students in Community Development	37
Figure 2.7	Recruitment's Limited Promise for Smaller Communities	38
Figure 2.8	Innovations in Capacity Building: The Self-Employment Enterprise Development Program Experiment	40
Figure 2.9	Monitoring State Development Programs	41

Figures in Chapter 3

Figure 3.1	How Federal Programs Build Capacity	51
Figure 3.2	Economic Development Administration	53
Figure 3.3	EDA Districts in the Northwest States	57
Figure 3.4	Northwest States' Extension Budget Sources and Community Resource Development Staff, 1991	60
Figure 3.5	Northwest RC&D Councils' Distribution of Work Hours in Issue Categories and Funding for Measures Completed in 1991	67
Figure 3.6	RC&D Districts in the Northwest States	70
Figure 3.7	Evaluating State Capacity Building Programs	73
Figure 3.8	Industry Targets Selected by Local Groups Under Regional Strategies	79
Figure 3.9	Rural Development Councils in the Northwest States	89
Figure 3.10	US West Foundation Offices in the Northwest States	98
Figure 3.11	Decennial Census of the Population and Housing: Subject Categories and Smallest Area for Which the Information is Available	107

Figure 3.12	Geographic Detail in the Economic Censuses	109
Figure 3.13	Bureau of Labor Statistics-Sponsored Research of the State Employment Security Agencies	117

Figure 4.1	The Diverse Local Leadership Pool	137
Figure 4.2	Finding and Organizing Community Leaders	137
Figure 4.3	Alternative Structures for Formal Organization	139
Figure 4.4	Gauging Local Needs	142
Figure 4.5	Conducting a Business Inventory	143
Figure 4.6	Assessing Needed Services	143
Figure 4.7	Building an Economic and Demographic Profile	145
Figure 4.8	Elements of a Local Profile	146
Figure 4.9	The Public Facilities Inventory	147
Figure 4.10	Locating Basic Data	148
Figure 4.11	Analysis of Local Economy	150
Figure 4.12	Identifying Key Factors in Business Growth	154
Figure 4.13	Analysis of Opportunities and Threats	155
Figure 4.14	Taking Simple Steps to a Stronger Economy	156
Figure 4.15	Developing Project Ideas	157
Figure 4.16	The Cost-Benefit Analysis	159
Figure 4.17	Weighing the Feasibility of Alternative Actions	160
Figure 4.18	Elements of Local Capacity	161
Figure 4.19	Selecting Projects	162
Figure 4.20	People and Politics Worksheet	163

Figures in Chapter 4

Figure 5.1	Rural Economics Under Pressure	174
Figure 5.2	Value Added Defined	175
Figure 5.3	Targeted Business Financing as a Demand Channel for Related Services	177
Figure 5.4	Export Programs: Lessons from Europe	178
Figure 5.5	Lessons of the Cooperative Extension Service	183
Figure 5.6	NASA Industrial Application Center Affiliates in the Northwest States	184
Figure 5.7	Federal Laboratory Consortium Contacts in the Northwest	184
Figure 5.8	WoodNet	185
Figure 5.9	Eastern Oregon Specialty Foods Cooperative	187
Figure 5.10	AgriTechnics, Inc. and the Palouse Economic Development Corporation	188

Figures in Chapter 5

Figure 6.1	The Danish Network Strategy	195
Figure 6.2	Lessons Italy and Denmark Hold for Rural Areas	196
Figure 6.3	Prospecting for Network Participants	197
Figure 6.4	Critical Players in Establishing Manufacturing Networks	199
Figure 6.5	Ohio's Heat Treating Network and the Edison Materials Technology Center	201

Figures in Chapter 6

1

The Development Challenge in the Rural Northwest

The rural Northwest faces the same daunting economic challenge confronting much of rural America. Most rural places in the region and the nation find before them in the 1990s a test—to participate in the changing economy or to watch opportunity pass them by. Northwest communities must find additional economic value from sectors on which they have long depended, including agriculture, fisheries, mining, and wood products. They must foster new enterprise as well if the prize of economic vitality is to be gained.

Many of the forces buffeting rural communities are external to those communities and impossible to control. Rather than fight the tide, leaders in the rural Northwest must become experts on its ebbs and flows. Rural leaders must always be ready to seize upon opportunity when opportunity presents itself, and must always be able to find it when it seems hidden.

The stakes are no less than the future economic vitality of many small towns. With this much in the balance, there can be no alternative but “best practice”—the selection and implementation of strategies that can work by effective leaders who are bent on making them work. *Communities in the Lead* aims at no less than the sharpening of those strategies and the strengthening of that leadership.

There is astonishingly little common agreement on exactly what *rural* means. We know the term excludes cities, but we’re not sure exactly how to differentiate rural areas from suburbs. We know that farm towns are generally rural, but not all rural towns depend on farming. Some assert that rural people behave differently from urban people, resulting in the impossible task of distinguishing rural urbanites from urban ruralites.

One bedfellow of this ambiguity is slow pace of progress in addressing issues about rural places and their economic vitality. We know much about new techniques in farming and forestry, but little about what makes one small community vital when its peers are struggling. It is generally agreed that economic vitality is desirable, and it is accepted that *development* intends to improve economic vitality. But how actually to develop rural communities—whether by promoting growth in employment or incomes, through stability or sustainability—is debated.

Economic and other social sciences are just beginning to offer practical help to small town leaders who are trying to find a footing in the face of economic hardship.¹ Until relatively recently, most economists focused their attention chiefly on three propositions: (1) that growth is a reliable engine for general prosperity; (2) that the chief source of rural vitality is development of natural resources; and (3) that most other industry will tend to locate within easy reach of cities, where scale economies offer natural advantages. These propositions may describe the problems well enough but they are almost useless in helping us understand the solutions.

Resource dependent communities increasingly find the traditional engines of development experiencing diminishing resources, less labor intensive production, and restrictions upon harvest. These factors strain many other segments of the economy. Facing the loss of livelihood and

Figure 1.1

Census Bureau Definitions

Urban: the population living in central cities and surrounding densely settled territory with a combined population of at least 50,000 or in places of 2,500 outside urbanized areas.

Rural: population or areas not designated as urban.

Metropolitan Statistical Area: a county or group of counties that contains either a city with a population of 50,000, or a Census-Bureau defined urbanized area with a population of at least 50,000 and a total population of at least 100,000.

Nonmetropolitan: a county that is not a Census-designated metropolitan statistical area.

A Community Researcher's Guide to Rural Data by Priscilla Salant, 1990.

substantial outmigration, resource dependent communities need to generate viable alternatives (or supplements) to resource extraction and primary processing as an economic base.

This guide has been written to help communities make good use of knowledge and resources available to them. It assists policy makers, inside and outside the community, in answering questions such as:

1. What is meant by "economic development in rural communities?" What options are available to small communities interested in economic development?
2. How can local leaders use their limited resources to heighten their communities' strengths and minimize their weaknesses? What approaches appear most promising, and what problems and innovations should leaders know about?
3. What assistance is available to help local people who are interested in enhancing community economic vitality? What services are available for businesses, especially new and natural resource-based firms?
4. How can communities find and evaluate printed manuals and directories to help them enhance local efforts?
5. What approaches to developing value added enterprises show particular promise? What do communities seem to be doing right? What cautions would they offer about mistakes to avoid?

Defining Rural: Implications For Economic Viability

In common usage, "rural" is a relative term that refers to small towns and sparsely populated areas. But rural can mean drastically different things to an economist, a logger, a farmer, a commuter, a tourist. These differences gain significance when individuals from a variety of backgrounds come together to discuss economic options. In such instances, formal definitions of the term are essential because, in many cases, the definitions themselves provide clues about what paths to revitalization are needed most.

Population Density as a Measure

The simplest, most reliable, measures of "rural" are those based on population density. Even this straightforward measure, however, includes multiple definitions devised for program administration and research purposes. Some define only communities of less than 2,500 as rural. Others take the nonmetropolitan designation as a guidepost, and include designated counties without cities of 50,000. Figure 1.1 contains current Census Bureau definitions of rural, urban, metropolitan, and nonmetropolitan areas.

A frustrating by-product of these definitions is that they make rural everything that is not urban. As one researcher laments, "If the most precise thing we can say about the moon is that it is not the Earth, we are saying very little indeed."² If the "all but urban" method is frustrating, it underscores the diversity of population and economic conditions the term rural includes. It has been the work of many researchers to generate descriptions of rural communities that say more than merely, "They aren't cities."

More Complex Measures of Rurality

Many of the most significant distinctions between rural and urban development problems are not easily measured. In a broader context, rural refers not only to relatively small towns, but must also include a town's economic, social, and geographic profile. Leadership, diversity, isolation, capital availability, and economic opportunity are only a few of the issues reviewed with a rural focus. Such issues reflect interests and problems that are not fully captured by head-count distinctions between large and small communities.

An analysis of ways in which urban and rural communities experiencing economic distress differ, prepared by the Washington Department of Community Development, confirms that important distinctions can be drawn beyond population differences. (Figure 1.2 was designed by the department to help it anticipate how needs for services vary as the focus shifts from city to county.)³

Even these distinctions do not resolve entirely the question of how to target government resources. Some exclusively rural programs would channel assistance to rural areas that do not need it, while excluding urban areas that do. For instance, should programs to encourage food or wood products manufacturing enterprises be emphasized in West Yellowstone but not Missoula; should food products firms be aided in Omak but not Yakima? In order to address such issues of equity, many rural policies have focused on regions that share conditions such as persistent poverty, growth management, or natural resource concentrations (e.g., forest products).⁴

Accounting for urban proximity. To better understand prospects for smaller areas, measures have been developed that describe a continuum based both on population density and nearness to metropolitan counties (Figure 1.3). One scheme, known alternately as the Beale Code and the Rural-Urban Continuum Code, helps identify various gradations of rurality.⁵ It is especially useful in considering the economic implications of a community's proximity to metropolitan areas.

Factors of isolation and low population density are mapped in the Rural-Urban Continuum Code. Beth Honadle has constructed a list of problems characteristic of rural development.⁶ This list is particularly useful in directing policy makers' attention toward critical management problems central to rural communities' underlying character:

- *Isolation* makes it harder to provide and to use services needed to revitalize communities and enterprises alike.
- *Low population density* makes markets for goods and services (both public and private) more difficult to form; supply and demand for services may require catalysts not needed in areas with higher population density.
- *Mobility disadvantages* and fewer transportation alternatives magnify the effect of distance.
- *Scarcity of fiscal resources* limits the capacity of business and community efforts to respond effectively to opportunities and threats.
- *Lack of expertise and human resources* limits communities' ability to provide leadership with a depth and breadth of skills needed to take on many problems.
- *Personal familiarity* can limit services that require rigorous objectivity, discourage regional arrangements, and reduce availability of services where confidentiality is necessary.

Rural

No local control of finance capital base.

Structural distress due to decline in basic industries; cyclical distress due to market fluctuation

Narrow business base, often dependent on single industry.

Significant out-migration due to lack of jobs, more/better services available elsewhere; in-migration of population dependent on public assistance.

Limited leadership capacity, not due to lack of capabilities but lack of people to perform functions. High dependence on volunteers, leading to burnout.

— Good cooperation between community and government.

— Dependent on state for resources.

Outmigration of educated youth.

Lack of local public financial/professional resources due to narrow tax base.

Not competitive in attracting business due to lack of transportation, access to markets, and inadequate infrastructure.

Reliance on industry-related transfer payments, as well as growing reliance on individual transfer payments.

Physical isolation increases cost and ability to provide services.

Urban values impact rural areas via state policy.

Must compete annually for resources (CDBG).

Because of remoteness of rural areas and small percentage of total population, debate continues on whether it is good policy to direct a large amount of state resources to deal with rural distress.

Other Observations:

Sense of community.

Issues are generally more focused.

Lack investment capital.

Lack of corporate presence affects public/private efforts.

Urban

Have finance capital base.

Structural or systematic distress due to individual disenfranchisement.

Access to diverse business base but generally not located in the core area of distress.

Significant immigration from out of state, and from declining rural areas.

Divergent/competing leadership. Difficult to coordinate from state level. Subgroups compete for available resources.

High dropout rates; lack of mobility.

Intense competition for available local resources, distribution of which is based on political choices.

Must compete with "healthy" areas in the immediate vicinity for business.

Heavy reliance on individual transfer payments.

Greater availability of broader range of services.

Complex interrelated issues create politically intense environment. Difficult for state to take risks.

Have direct available funding (CDBG).

Proximity to more wealthy areas highlights the stark contrast to the disadvantaged within urban distressed areas.

Other Observations:

Difficult to define geographically.

Greater pattern of social problems.

Figure 1.2
Distinctions Between Distressed Areas
in Rural Versus Urban Washington

Washington State Department of Community
Development, 1988.

- *Resistance to innovation* slows consideration of new approaches, good or bad, to local economic vitality.
- *Lack of support services* hinders communities' ability to take advantage of assistance from many sources, just as it deters the formation and growth of specialized businesses that require technical support and services.

Combining information from the Rural-Urban Continuum Code with the factors listed above allows us to predict a community's likely economic prospects. Counties near metropolitan areas may have options for new economic linkages to population centers, as well as access to urban economic advantages such as manufacturing and information management. Rural counties not adjacent to metropolitan areas, especially the more populous ones, may see their best prospects in development of high value niches within already dominant sectors, aiming for national and global markets. Smaller counties, those more subject to the obstacles to development cited by Honadle, may need to concentrate initial efforts on support for smaller enterprises, community redevelopment, and efforts for regional cooperation.

Accounting for characteristics of the economic base. Population density and distance from population centers may account for many of the similarities among rural communities, but what about important differences? Certainly, the prospects for economic development are different among diverse rural places. Density and distance from population centers are major considerations in economic development strategy, but communities must also be viewed from the standpoint of dominant economic characteristics. These characteristics are important indicators of future development potential.

One excellent scheme for classifying nonmetropolitan counties based upon major income sources and land use patterns is the Economic Classification of Rural Communities (Figures 1.4 and 1.5). The scheme classifies counties according to seven major variables influencing source of income, including farming, manufacturing, mining, government, poverty, retirement, and federal lands. Northwest counties are included in all but one of these categories—persistent poverty. According to this approach, timber dependent counties are classified as federal lands counties, a category that also includes federal holdings for Native American lands, military bases, wilderness, and rangeland.

Researchers have used this classification system to learn how economic characteristics shape economic performance. For instance, Calvin Beale and Glenn Fuguitt found that they indicate how population growth and decline differ among rural places with different economic classifications.⁷ Their results suggest a population shift during the 1980s that was not simply rural-to-urban, but rather, triangular. Many residents of declining counties (manufacturing, mining, farming) moved into prospering urban regions; those leaving urban areas for the countryside went mainly to high amenity places seen as attractive locations for retirement. In the Northwest, nonmetropolitan counties that are popular destinations for retired people maintained a high population growth rate, over two percent yearly from early in the decade through 1988. This same period was a time of crisis in counties dependent on agriculture, manufacturing, and mining, which collectively experienced declining populations between 1974 and 1985 and began to rebound (in terms of population) in 1986.

Figure 1.3

Rural-Urban Continuum Code

- 0 Central counties of metro areas of one million people or more
- 1 Fringe counties of metro areas of one million or more
- 2 Counties in metro areas of 250,000 to one million
- 3 Counties in metro areas of fewer than 250,000 population
- 4 Urban population of 20,000 or more, metro adjacent
- 5 Urban population of 20,000 or more, not metro adjacent
- 6 Urban population of 2,500 to 19,999, adjacent to a metro areas
- 7 Urban population of 2,500 to 19,999 not adjacent
- 8 Completely rural or fewer than 2,500 urban population, metro adjacent
- 9 Completely rural or fewer than 2,500 urban population, not urban adjacent.

Rural-Urban Continuum Codes for Metro and Nonmetro Counties by Margaret Butler, April 1990.

Figure 1.4
An Economic Typology of
Rural Counties

An Update: The Diverse Social and Economic Structure of Nonmetropolitan America by Thomas F. Hady and Peggy J. Ross, Agriculture and Rural Economy Division, Economic Research Service, USDA, Washington DC, 1990.

Different social and economic characteristics are helpful in understanding a place's unique problems and opportunities.

Farming dependent: Counties in which farming contributed a weighted annual average of 20 percent or more of total labor and proprietor income for 1981 through 1986. Forty-two of Northwest counties fell into this classification.

Manufacturing dependent: Counties in which manufacturing contributed 30 percent or more of total labor and proprietor income in 1986. Nineteen Northwest counties met this definition.

Mining dependent: Counties in which mining contributed 20 percent or more to total labor and proprietor income in 1986. Four Northwest counties met this definition.

Specialized government: Counties in which local, state, and federal payrolls contributed 25 percent or more to total labor and proprietor income in 1986. Twenty-eight Northwest counties met this definition.

Persistent poverty: Per capita personal income in the county was in the lowest quintile in each of the years 1950, 1959, 1969, and 1979. No Northwest counties met this definition.

Federal lands: Counties with federal land holdings of 33 percent or more of the county's land area in 1977. This category is often associated with forestry, although it may also reflect federal holdings for reservations, military reserves, and grazing land. Seventy-five Northwest counties met this definition.

Destination retirement: Counties classified here had a net immigration of people aged 60 or over from 1970 to 1980. Twenty-eight Northwest counties met this definition.

Unclassified counties: Refers to nonmetropolitan counties that fell into none of the other categories in 1986. Twenty-three Northwest counties met this definition.

Figure 1.5
Northwest Counties Classified by
Social and Economic Structure

	Idaho	Montana	Oregon	Washington	Total
Metropolitan Counties	1	2	8	11	22
Rural Counties					
Farming	15	15	5	7	42
Manufacturing	9	0	5	5	19
Mining	2	2	0	0	4
Government	7	11	3	7	28
Poverty	0	0	0	0	0
Federal lands	31	21	15	8	75
Retirement	9	3	8	8	28
Unclassified	3	12	3	5	23
Total Counties					174

Notes: Thirty-five rural counties are classified in more than one of the categories, the most common intersections involved the federal lands and the government employment designations. Federal lands, retirement, and poverty county designations are as of 1979, the most current data available; metropolitan designations are based on official OMB definition in the 1980 Census; all other measures were updated using 1986 data. Alaska's boroughs were excluded from this analysis by ERS.

Economic Research Service data set.
 Contact: Peggy Ross, Washington, DC,
 202-219-0547

Other researchers have identified problems and formulated strategies specifically tailored to match the prominent economic characteristics of identical counties. Priscilla Salant suggests that counties heavily dependent on retirement are often more concerned with the availability of health care and other services.⁸ Manufacturing dependent counties (including those reliant on timber) face problems related to their particular industrial sectors, including changes in international markets. Many counties experiencing or threatened by persistent poverty may wish to focus on the importance of education, basic skills, and other ingredients of labor force participation. Farm counties may concentrate on developing off-farm job opportunities, as well as improving current agricultural practices. Mining dependent counties that face cyclic downturns find providing stable economic opportunities an important issue. And rural counties with a heavy concentration of government property find themselves greatly affected by policy decisions surrounding land use, as with timber harvest or range grazing practices.

Accounting for trade among nearby places. No matter where wages are earned, many of their benefits accrue to the local economy where they are spent. The ability of a place to offer goods and services for local purchase is, therefore, an important third useful way to distinguish among different types of rural and urban places. Researchers have used this method to gain insights into changes in rural shoppers' preferred place of trade.

The trade structure of regions can be described as a watershed, with smaller communities acting as tributaries of larger trading areas. While daily needs of consumers tend to be met nearby, where shopping is convenient, rural residents look directly to more populated trade centers for other goods. This general relationship of smaller communities yield-

ing to progressively larger ones as suppliers of more specialized items is remarkably consistent over time; communities rarely displace their larger neighbors as trade centers. The willingness of people to shop locally can and does vary, however, as individual wants and the ease of getting to larger trade centers change.

Researchers have created a classification system to examine these changes. The Rural Urban Trade Center Hierarchy defines rural and urban communities according to the type and number of wholesale, retail, and service establishments they contain (Figure 1.6). This system was developed in 1960 by John R. Borchert and Russell Adams, and updated by Thomas Anding and others at the University of Minnesota in 1990.⁹

Anding's team at the University of Minnesota used this system to examine the rise and fall of shopping establishments among different levels of the hierarchy in the states of the upper Midwest between 1960 and 1989. Researchers Larry Swanson, at the University of Montana, and Jack Stabler, at the University of Saskatchewan, have done similar work in their respective state and province, with similar results.¹⁰ Their findings point to a type of revitalization challenge for smaller communities that has only an indirect relation to the health of primary industries, such as manufacturing, farming, and forestry.

Anding found a divergence of fortunes among different tiers of communities, with higher and lower order places shifting away from each other. Rural people became more willing to bypass the more convenient small and midsized shopping locations, preferring the wider selection and volume discount stores found in larger, more distant trade centers. In effect, more dollars are being drained from smaller communities. Among the other findings:

- The numbers of businesses involved in many types of services and in construction and manufacturing grew in large and small places alike. However, even in regions that have enjoyed substantial growth in employment and wages in these sectors, much of the benefit is accumulated in larger trade centers where shopping options are more numerous and varied.
- The numbers of transportation companies, banks, and communications firms grew, but the lion's share of this growth was concentrated in the larger trade centers.
- The number of retail business establishments declined. Larger discount stores displaced many of the traditional anchors of small towns' main street shopping districts. The decline in numbers of general merchandise retailers was offset, to some degree, by growth in the number of more specialized retail establishments, such as boutiques, antique stores and similar operations.
- While the region's population remained fairly stable overall, there was a shift within the region from rural to urban areas, continuing the historic trend of movement away from smaller places.
- A town's success in attracting shopping dollars depended to a large degree on uncontrollable factors, including global economic conditions and the success of local entrepreneurs. Not all the factors are uncontrollable, however. Also significant to regional trading patterns are local planning efforts, support for retail enterprise development, and other activities to build a shopping base that matches the needs of local consumers.

Figure 1.6
A Rural Urban Trade Center
Hierarchy

Trade Centers of the Upper Midwest: Changes from 1960 to 1989 by Thomas L. Anding et al., 1990.

Hamlets are the lowest size level of the trade center hierarchy. Included are communities that have only a few businesses, typically including a gas station, a cafe, and a grocery store.

Minimum convenience centers are somewhat larger clusters of businesses, including a restaurant, a bank, a hardware store, a drug store, a grocery store, and a gas station.

Full convenience centers have a greater number of businesses and include establishments selling household appliances, jewelry, furniture stores, and a department store or a men's or women's store. In addition to these they have at least three speciality stores, such as a shoe store, a lumber yard, a funeral parlor, a hotel, and a farm or garden supplier. Some wholesale activity is also found in full convenience centers.

Partial shopping centers have a greater number of speciality shops than full convenience centers, including four to eight of the specialty stores listed in full convenience centers. Here, the list of specialty shops is expanded to include photographic studios, sporting goods, stationary, and antique shops.

Complete shopping centers have at least nine of the specialized retail businesses listed for partial shopping centers.

Secondary wholesale-retail centers are defined by the presence of all these retail functions in addition to over fifty wholesale businesses in at least twelve of these categories of goods: auto supplies, bulk oil, chemicals and paint, dry goods and apparel, electrical supplies, groceries, hardware, industrial farm machinery, plumbing-heating-air conditioning, professional service equipment, paper, liquor, drugs, and other construction materials.

Primary wholesale-retail centers have over a hundred wholesale businesses, including all fourteen of the wholesale functions listed for secondary wholesale-retail centers.

Overcoming the Myths

As they devise strategies to increase rural economic vitality, local leaders have had to overcome numerous misconceptions about the nature of rural areas. Applied often enough, and over a long enough period of time, these misconceptions have become a part of our mythology about what it means to live in rural America. Some of the myths seem harmless; some appeal to our most nostalgic notions of our rural past. Others hint at a potentially damaging bias. Taken together, they distort important truths crucial to policy debate.

Rural is farming, forestry, or mining.... Many state and federal policies identify "rural" with dominant natural resource sectors—mainly farming, forestry, and mining. Consequently, not only do they ignore other important sectors, they also exclude human and community problems from the equation. Sector-focused efforts are essential, but not the

Figure 1.7 **Fighting the Rural Myths**

Myths of bucolic solidarity, community, and isolation could be tolerated if their consequences were benign, but in fact, none are desirable. Poverty is often most pronounced in our nation's rural areas, housing stock is most inadequate, elderly are often neglected, and the "fresh air" of the countryside does not magically cure the sick or infirm. Rural areas, as is the case with urban areas, need governmental services and public administrative support.

Nonetheless, these myths foster an atmosphere of neglect and discrimination by public authorities and metropolitan electorates toward rural inhabitants of the American commonwealth. Without the intervention of government, provision will not be made for the rural sick, adequate care will not be available for the elderly, shelters for the homeless will not be established, and the poor will not be protected.

Inter-Rural Administrative Cooperation: Issues and Opportunities by Jim Seroka, 1990.

Figure 1.8 **About that rope swing....**

I once spent an hour listening to a discussion on how to create recreational parks and "playgrounds" for the children of rural families. "Parks" are, of course, an urban invention. In this discussion, it was finally concluded that the real problem was transportation (that is, how to transport rural children to a central recreational area). Spatial diffusion was considered to be a burden to be overcome by urban technologies. To have suggested that parks are not needed in the countryside, that it was dysfunctional to bus children twenty miles to play in a park in the countryside, and that the real problem for ruralites was to convince urban policy imperialists to give them their fair cut of tax revenues and let them decide how best to entertain their children with it was heresy.

"Defining Rural: Returning to our Roots," by Frank Bryan, in Rural Public Administration; Problems and Prospects, Jim Seroka, ed., 1986.

only ingredient of rural vitality. There are many indications that rural economies are changing, becoming more diverse and less directly dependent on incomes from natural resources than in the past.¹¹ Even among farm families, income from agricultural production represents a smaller proportion of overall income than it once did.¹² Further, small enterprises that provide new services and stake out new economic niches are taking root in the rural countryside, where they are surprisingly resilient compared to new business starts in metropolitan areas.¹³

Rural is community spirit.... The capacity to rise to challenges, to help neighbors in need, is immortalized in the American mind as part of the rural spirit. But while qualities such as accessibility and responsiveness aptly describe many rural communities, small towns can't claim a monopoly on community action. Increasingly, urban communities are mobilizing to solve local problems: cities have tapped volunteers to build affordable housing, improve education, establish drug free zones, protect greenbelts, and keep a vigil against crime. Local community action is not unique to the countryside.

A more pertinent issue concerns the power of the rural can-do spirit to pull the community through hard times. The folk wisdom about the rural community is that community members can rise above harsh conditions by working together informally. Yet, while community cohesiveness is a critical ingredient within any rebuilding effort, there are limits to the sufficiency of bootstraps and gumption in achieving fundamental economic restructuring (Figure 1.7).¹⁴

Rural is a special character or attitude.... Much thinking about rural people seems to focus more on character than geography. Rural residents are described in terms that evoke images of Daniel Boone or Jed Clampet. They may be envisioned as rugged, resourceful individualists; or they may be viewed as backward hicks. Visions of close-knit families, like television's popular Waltons, come to mind. In fact, studies do find character traits that include high community satisfaction and strong families. Research has also noted that rural residents tend to be socially conservative, traditional, provincial, and slow to change. But even as these rural-urban differences are demonstrated, they are shown to be a moving target, changing over time, and sometimes quickly.¹⁵

Rural enterprise is economically handicapped.... Most studies of small business survival assume that if urban business survival rates are bad, rural rates must surely be worse. Recent studies of rural enterprise survival rates, however, have found rates of business starts and survival as high and higher than in urban areas.¹⁶ This research suggests that some rural economies may actually have an advantage in their ability to foster entrepreneurs. At worst, the jury is out on the comparative disadvantage of rural start-up enterprises.

Rural is urban, just less so.... The notion that rural and urban needs are essentially the same yields a one-step recipe for rural policy: simplify existing urban programs. Yet the differences are real and require real differences in strategies adopted (Figure 1.8). As researcher David Harrison points out, "Rural places are not just urban places where the houses are farther apart; they are fundamentally different."¹⁷ Harrison's work delineates two issues: (1) smaller places require strategies that recognize and respond to their particular problems, and (2) rural areas need access to assistance in a way that differs from the way services are offered and received in urban areas.

Government services often assume a frictionless situation, in which rural and urban communities are at least equal in their ability to understand and evaluate the full range of services available, and in their ability to take advantage of those services that match their needs. In fact, communities of differing sizes demonstrate vastly different capacities to sift through program offerings, meet personally with service providers, match programs to clearly defined objectives, and prepare competitive applications to gain assistance. Failure to acknowledge such differences may discriminate against small communities from the outset (Figure 1.9).

The problem goes well beyond an inability to use services. Some small towns have highly independent visions of what they want to become and what services they need. They may be unwilling to pursue the path laid for them by development enthusiasts who assume that rural communities are simply cities that have not yet "made it."¹⁸ A 1988 report by the Western Governors' Association agrees, noting, "Rural areas do not want to become mini-metropolises. What they want is a stable, healthy local economy. Rural areas may need to adapt to changes but that does not mean they need to change their lifestyles."¹⁹

For many a rural community, the primary goal is not economic development—which may presuppose substantial growth—but economic vitality or opportunity. Under this alternate emphasis, intensive efforts are undertaken to preserve options including maximizing incentives for high school and college graduates to stay in, or return to, the community. Leaders want their communities to avoid both decline and substantial growth. The most effective rural development strategies respect, and even take advantage of, these community preferences.

The Goals of Rural Community Economic Development

Should local leaders promote industry, support new businesses, and encourage economic expansion? Or should they work to preserve the qualities that set a place apart from others? Such questions may raise conflicts between old and new ways of life, and among people with dramatically different views about the meaning of stewardship. Often, the choice between opportunity and lifestyle is played out as a battle for the heart and soul of the community. The combatants claim that there are two essential paths to vitality, and we must decide between them.

According to Glen Pulver (Figure 1.10), there are many basic objectives of local economic development, and they suggest different types of activities. Communities most concerned about jobs may concentrate their efforts on locating and expanding businesses within the community. But there are many other rational objectives local people could choose, and they reflect the hopes and fears of community members. Those concerned about vitality may concentrate on local businesses' ability to generate new products and services, for local consumption and for export. Sustainability as an objective may suggest concentrating on adding more value to local resources as a way to squeeze more good jobs out of fewer natural resources. Quality of life objectives may suggest activities designed to enhance schools and social services, as well as the general look and feel of the community. Importantly, Pulver points out that these are not mutually exclusive goals.

Figure 1.9 Are Small Towns Obsolete?

State economic development policy ... seems to assume that communities experiencing economic distress will be able to respond on their own and to take advantage of the capital and technical assistance made available by the state. A perspective held by some ... policy analysts and decision makers is that communities that cannot respond on their own should not benefit from these resources. A community's inability to make use of the available capital and technical assistance is taken as an indication that its decline is irreversible. In this view, the communities ... are obsolete. The test of their obsolescence is their inability to access state economic development programs. And they should be allowed to simply fade away.

Small Towns and Communities in the Other Oregon by Michael Hibbard, Oregon Policy Choices Legislative Discussion Paper Series, University of Oregon, 1989.

Figure 1.10

Objectives of Rural Development

Glen Pulver, Remarks to Oregon Rural Policy Debate, Rural Policy Research Group, Salem, Oregon, September, 1990.

The starting point for rural development policy should be a clear delineation of objectives. Unfortunately, most rural development policy today is best characterized as a collection of programs, expenditures, and regulations launched almost indiscriminately at an undefined target called development with little articulation of specific objectives. A wide spectrum of objectives may be pertinent, including:

- **Employment:** *The generation of jobs*
- **Income:** *Whether from employment, proprietorship, or passive sources*
- **Total wealth:** *Including liquid and non-liquid capital assets*
- **Sustainability:** *Over time with proper consideration for the environment*
- **Stability:** *Avoidance of harsh cyclical variations in employment and income*
- **Vitality:** *The capacity to generate new products and services over time*
- **Quality of life:** *Which may bear on education, environment, aesthetics, life style, culture, health, and security*
- **Distribution:** *Of all these among people in a region*
- **Attitudes toward change:** *Some prefer the status quo*

Seldom are these objectives perceived independently. Jobs are important, but at a reasonable wage. People may be interested in growth, but not at the price of serious destruction of the environment. Community objectives may not be well served by narrowly focused public programs. If increased income were an identified objective, strategies aimed at attracting the silver-haired industrial base might receive greater attention. Economic vitality as an objective could lead to greater attention to the importance of entrepreneurship and small business development.

Why do we think we must choose between economic opportunities and community quality? A good part of the answer lies in the rural myths, and their attendant fears:

- Fears that new business activities will shove local people — and their values—to the side.
- Fears that the unique qualities of the community will be lost.
- Fears that local businesses will not be able to compete with new ones, or in the national economy.
- Fears that, once growth begins, the best efforts of local people will be powerless to shape the course or pace of change.

These are reasonable fears, but neither vision, of growth or of lifestyle solutions, presents clear paths around them. Quality of life comes more easily to dynamic and flexible local economies; desirable opportunities are drawn to a good quality of life. Communities need not choose one vision over the other. Indeed, they must not choose. In a world where

change is constant, opportunity and lifestyle can be complementary goals. This is illustrated best in communities which appear to pursue multiple objectives, embracing qualities that are dear to the community while helping new opportunities to unfold. (The particular characteristics of successful community efforts are reviewed in greater detail in Chapter 2.)

How can destructive wars be avoided? Understanding a community's conception of how it wants to advance is the first indispensable element in crafting initiatives that the community can carry forward. Edward J. Blakely recommends that communities desiring to better manage their economic development efforts begin by understanding how the community is already approaching problems concerning its own development (Figure 1.11). Is the community responding to conditions primarily by offering inducements to growth? Or is it concentrating more on accommodating or deflecting forces of change? Whatever local development approaches prevail at the outset, once they are understood, their strengths can be used to advantage, and the weaknesses improved upon.²⁰

The orientation or expectation of the community shapes the view of the community toward the economic development process. Localities need to be aware of their orientations toward economic development in order to improve or alter their development strategy. Blakely identifies two economic development perspectives: (1) Responsiveness to external needs, and (2) Responsiveness to local community needs.

1. *Responding to external needs:*

Recruitment planning includes a wide array of industrial inducements and efforts to enhance the image of the area's business climate, usually with the understanding that generalized industrial growth will be good for the whole community.

Impact planning is focused on efforts to mitigate or reduce the worst effects of industrial losses in a local economy, particularly the effects of plant shutdowns; such efforts are reactive, and depend heavily on availability of federal funds.

2. *Responding to internal needs:*

Contingency planning entails a proactive response to local needs which focuses planning resources on those areas most prone to distress or benefit. Contingency planning can help mobilize an area's resources and inherent capabilities to deflect or accommodate impacts brought on by external forces.

Strategic planning entails a long-range effort to identify and implement policies that affect all segments of the community.

Figure 1.11
Two Perspectives of Economic Development

Planning Local Economic Development by Edward J. Blakely, 1989.

Rural Development as Growth and Expansion

Many economic analysts see the fundamental challenge of economic development in terms of growth. By this way of thinking, the fundamental goal of development efforts is to increase economic investment; the resulting employment, income, and taxes will buoy prosperity generally. Development activities likely to result from this outlook concentrate on encouraging expansion in good times and slowing decline in bad times.²¹

Economic base theory is a useful product of this model (Figure 1.12). According to economic base theory, the local economy is envisioned as a rain barrel into which dollars flow from outside areas, swirl around as local trade, and leak out in the form of goods and services purchased elsewhere. The theory can help local leaders understand the basic sources of economic activity, and formulate some options for enhancing vitality. More "water" can be added to the barrel in the form of exporting businesses; recruitment of manufacturing firms and specialty service providers can be targeted, or existing export firms can be expanded, or assisted in retaining jobs. Or, "leaks" can be plugged: opportunities for more vigorous trade among local people can be found in the form of local markets and other retail avenues, basic service needs can be met, and conservation efforts can replace locally provided labor and equipment for utilities.

Communities that use the rain barrel model to craft their approaches to local development often begin by asking themselves about the structure of the local economy. What have been the community's sources of outside income? The answers to this question often point to basic production industries, including manufacturing and service sector employers, that sell their products outside the local area. To these industries are added other, less obvious, primary sources, such as health care, military bases, and other offices of state and federal governments. These, too, are considered "basic" employers to the extent that they bring outside dollars to the community that could easily go elsewhere.

Next, community leaders may ask themselves what leaks exist that could be plugged? This question often points to wholesale and retail purchases that local residents make in other communities. If such outside purchases can be recaptured, the effect is similar in many respects to an increase in the basic sector employment. Common examples include health care, and specialty goods, but economic leaks can also be found in unexpected forms. Money spent for utilities, for instance, may be replaced by spending on local goods and services needed to upgrade the energy efficiency of local homes and offices, or by increased participation in state and federal programs that are paid for by all, but sometimes go unutilized by rural residents.²²

Two limitations of economic base analysis are worth mentioning here. First, while this simple model can help describe the immediate influence of an economic shock, it is inappropriate for understanding longer-term changes in the economy.²³ Initiatives designed to plug leaks and add to the local economic base should be based not only on information about current and historic economic structure (including both the primary and secondary sectors), but also on an examination of pertinent global and regional trends, as well as the talents, interests and resources of local citizens.

The second limitation of economic base analysis is that it tempts local leaders to consider too small an area as the local economy. By defining the economy to include only the local community, the problem of encourag-

Figure 1.12
Economic Base Theory

Economic base theory envisions the local economy as a barrel which is filled by the inflow, from outside the area, of wages, profits, and other income, and reduced by the outflow of payments outside the area for goods, services, wages, and other income. Basic industry (which refers in this context to any activity that brings new money from outside the community) represents the chief tool for generating more economic activity. Non-basic industry (which refers to any money that changes hands within the area for goods, services, and other incomes produced locally) creates multipliers which amplify the effect of basic industry on other local jobs and income. The more linkages within the community, and the less money that leaks out for purchase of goods and services produced elsewhere, the higher the impact of basic industry in the form of incomes for goods and services providers that serve the community.¹

Local economies are in constant flux because of changes in the amount of basic industry, non-basic industry, and the extent of the linkages within the area. What can communities do to affect the level to which the barrel is filled? There are two basic approaches:

1. Plug leaks and improve linkages. Reduce the amount of money that flows outside the community by providing local equivalents that people will prefer. The creation or enhancement of local markets or marketplaces are typical approaches. One town's campaign to plug energy leaks has helped to increase the amount available to spend locally, while replacing spending on energy with local goods and services used to improve energy efficiency.

2. Increase basic industry. Increase the flow of outside dollars into the community by helping basic industry businesses to expand and by attracting new basic industry to your community. New basic employers are one example of basic industry that can have a big impact. Another example is the "silver-haired industry," retirees who are interested in moving to places with high amenity value. The income this industry generates, in the form of investment income and transfer payments, is highly mobile and represents the fastest growing segment of income in the national economy.

ing "export" businesses may become one of luring spending and investment from one nearby town to another. The result is a "walled community" quality to development efforts. Strategies that consider only the small community may foster competition and divisiveness between places that may in fact be highly interdependent. Thus, a new plant may be wooed from one community to another. School districts, hospitals, and public agencies may avoid productive cooperation with the blessing of local leadership. Farmers, ranchers, and others living outside the "walls" may be excluded from efforts to build local prosperity. Rich opportunities for strengthening regional vitality and local well-being may be lost.

Many development efforts that consider only a small community have solid reasons for doing so. (This chapter concludes with a discussion of the types of efforts that favor local over broader community efforts.) But, in general, leaders who choose a narrow vision of the local economy could sacrifice three things already in short supply in small places—leadership, capital, and population. And in the process, they make it difficult to pursue some promising strategies for economic growth.

Graham Toft has coined the term *rurban* to highlight the notion that rural places most often reorganize in regional groups, if they want to undertake growth strategies that simulate the size advantages of cities.²⁴ According to Toft, the same economic forces and strategies that have shaped urban growth have the potential to boost rural economies, but to make such growth possible, rural communities must work *as areas*. Groups of smaller communities, working collectively, have the numbers of manufacturing enterprises needed to support contracting relationships between firms that can yield the economies of scale that benefit many urban firms. By organizing on a regional basis, communities can invest in and promote information technologies that enable firms to locate anywhere in the area. Working together, communities can support employment growth in specialized services addressed toward populations both nearby and at a distance. Implementing these ideas involves new modes of cooperation for public and private sectors alike. Consider some examples:

- Oregon's Regional Strategies Program encourages formation of multi-county regions of the state for the purpose of pursuing an economic development plan targeted to particular sectors and opportunities identified by the regions' leaders. Strategies being pursued by the resulting regions include tourism, value added enterprise development for wood and food products, and other sector-specific initiatives.
- Southwest Montana's Headwaters Resource Conservation and Development Area, a soil conservation entity that has become a facilitator for regional development committees, is able to provide support services that none of its member entities could sustain alone. Its successes include a comprehensive grants library and grantwriting assistance, sponsorship of an agri-products "incubator without walls," and recruitment of a canola seed processing facility.
- The I-82 Corridor Alliance establishes cooperative relationships between several counties in South Central Washington and the Seattle King County Economic Development Council. It has helped leaders in the more rural areas to identify and promote recruitment leads from the city.
- Spokane's kitchen incubator provides industrial kitchen space for lease to specialty foods product manufacturers from around the area. By locating the kitchen facilities near the farmers' market, the facility enables individuals to produce and test-market their goods without leaving the site. Drawing on this example, kitchen incubators have been established in Sandpoint, Idaho and Milton-Freewater, Oregon.
- An interregional effort to develop trade relationships is forming between Montana and its neighbors to the north. A similar coalition of government and private leaders, in Washington's Okanogan County, is targeting development linkages across its border to British Columbia. The efforts are modeled on a successful effort involving Minnesota, North Dakota, and Saskatchewan, known as the Red River Trade Corridor Project.
- A Palouse-area development group is helping manufacturers from around southeastern Washington develop new international markets for agricultural equipment. The manufacturers found their local markets maturing and identified common needs to help build new market opportunities. Their efforts resulted in the estab-

lishment of a firm, AgriTechnics, that uses telecommunication-intensive methods to help the manufacturers gather and qualify trade leads from sources around the world.

Rural communities face the realization that growth strategies cannot be limited to attraction of major employers. Communities seeking heavy industries have found that, unless buildings and infrastructure are already in place, they are unable to compete with other communities possessing such features.²⁵ The telecommunications revolution which opens up rural areas to the world has also proved to be a mixed blessing: the telecommunications capacity that promises new service sector jobs to the community can also act to remove jobs.²⁶ Communications jobs have, in many cases, been lost to more efficient, centralized service providers located in rural and urban areas alike. Few small towns working alone have had the capacity to make the contacts, produce the industrial space, and package the financing needed to attract footloose firms. Instead, a new approach to the "community as product" is beginning to take root. Increasingly, local groups are pooling resources to encourage existing specialty manufacturing firms to concentrate on developing new products and markets.

Rural Development as Maturation

In contrast to growth-oriented development strategies are those that concentrate on shaping local economic development activities to respond to community aspirations. Blakely calls these "internally, or locally responsive" strategies. By this thinking, the community is buffeted by change. Local activities concentrate on exerting what influence is possible upon strong external forces. Here, growth is a not principal goal, although creating jobs and income may be among the goals. The main objective is to help the community mature in a manner that is consistent with local wishes.

Proponents of this view focus their efforts on anticipating new forces, encouraging desirable elements of change, and deflecting or managing undesirable influences. In many cases, strategic planning is an important part of the equation. Strategic planning is most simply defined as the application of intelligent foresight to the coordination of otherwise unintegrated activities.²⁷ In internally responsive communities, the planning process often includes a substantial component of public participation, as is seen in community "visioning" exercises.

Economic development activities that are locally responsive are likely to concentrate their energies on identified needs. Coalitions may be organized to support developments that are seen as favorable, or to oppose those with notably adverse effects. Disadvantaged groups, such as women, minorities, or disabled people may receive targeted assistance. Local or employee ownership efforts may attempt to make a transition to local control of plants that are shutting down. Revolving loan funds may help fill capital gaps that keep new businesses from forming. Value added or diversification efforts may direct assistance to industrial sectors that the community views as desirable.

There are two clear limitations of this approach. First, development activities that depend on local processes to power them with ideas put a large stake on the quality of those ideas. Identifying enough ideas, building consensus for needed action, and doing so at the right time can

be substantial hurdles. Internally responsive development efforts are challenged to create in community members a common and well-informed notion of what is both possible and desirable.

To do this, programs and processes may attempt to build a local cadre of well-informed leaders. Efforts may be undertaken to involve decision makers in public forums on key issues; present economic, social, or environmental briefings; track the wishes of community members; and assess local opportunities and threats. Economic analysis may attempt to pinpoint local competitive advantages in relation to the state or nation, using such analytic tools as shift share analysis (see Figure 1.13).

A second limitation of the locally responsive approach is that strategic planning activities often have difficulty moving from planning to action. Visioning efforts may generate wish lists that are not feasible, or that greatly exceed local capacity to implement them. At best, local groups, effective on shorter-term projects, and able to develop a well-considered long-term direction, also engage in pursuing ambitious development goals. Many others, however, fail to establish the organization needed to coordinate diverse local activities. Or they fail to generate the power to implement their visions.

Figure 1.13 **Shift Share Analysis**

Connecting Rural Economies, Strategies for Coping with Western Rural Economic Development Issues, a Strategic Assistance Guide, SRI International, Western Governors' Association, November 1988.

Shift-share analysis is an employment accounting technique that allows identification of which industries are growing or shrinking in the local economy compared to the national economy. Its purpose is to diagnose the relative competitiveness of local industries. It begins by measuring the change in employment over a specific time period across the nation for all industries together, calling this the national share. The change in the industry's regional employment that is due simply to the local economy's participating in the growth or decline of total national employment is calculated. Two adjustments are made to determine how the local economy was different from the national.

The first adjustment, called the industrial mix, adds and subtracts employment to reflect the difference between the industry's growth rate and the growth rate of all industries combined. The industrial mix will add employment if the industry has grown more rapidly than the national average, and subtract employment if it has grown more slowly.

The second adjustment, called the regional shift, adds to and subtracts from industries' national growth rates to reflect the difference between local and national performance within the particular industries. This shows whether a region received more or less than its share of national employment growth or decline in a given industry, which often indicates industries for which there is a local competitive advantage.

Development Strategies for Resource Dependent Areas

Problems Facing Resource Dependent Communities

For many natural resource-based communities, the question is not one of growth versus preservation, but of the community's continuing vitality, even its very existence, in the face of conditions over which it exerts little or no control. Nationally, and in the Northwest, the most

successful rural development efforts combine growth/expansion and maturation strategies sensibly and apply them to a variety of hurdles both within and outside the community.

Before external resources can be effectively utilized, leaders must arrive at a sharper understanding of their community goals. One recent Washington State survey asked development leaders in timber dependent communities to list actions that could help to soften the impact of declining timber supply.²⁸ Their responses reflect the depth of the challenges facing many resource dependent communities:

- Enhance ties to vital urban economies
- Conduct small community assessments and facilitate planning
- Support the forest products industry
- Develop roads and improvements to industrial sites
- Develop the tourism industry
- Develop small business
- Recruit new industries
- Retrain workers

Wherever they place revitalization emphasis, leaders in farming, forestry, mining, and fishing communities face a number of common obstacles.

Insufficient leadership base. Several researchers point out that rural communities do not want for talented people willing to engage in local development efforts. Communities may find, however, that the leadership pool is simply not large enough; further, it may lack the needed range of specialized expertise. Inexperience with the demands of development may handicap efforts still further: rural leaders often encounter difficulty identifying alternatives and selecting opportunities that are a good match with local goals. As Glen Pulver notes, "Much local energy is fruitlessly expended in the name of development, simply because rural officials do not know which strategies will likely have the greatest payoff in their specific situation."²⁹

Weak development capacity. Resource dependent communities tend to have difficulty organizing and carrying out economic development activities—more so than their more economically diverse peers. There are many factors that contribute to such difficulties. Many state and federal programs in support of development have established funding criteria that send the bulk of funds to communities of large size or with better established programs. Martin Strange and his associates at the Center for Rural Affairs, in Nebraska, conclude that, even where rural populations participate fully in development programs, economically diverse communities account for much more of the program participation than those dependent on resource sectors.³⁰ In many cases, communities inexperienced with economic development efforts find, when they do seek help, that the assistance provided is designed with larger places in mind, and thus, tends to be more practical and helpful for the larger community. Other programs are offered on a competitive basis, penalizing communities unschooled in such competition.

Many citizens of resource dependent communities, accustomed to economic cycles, tend to "hunker down" and wait for the next boom. Individuals in the community may be unwilling or unable to recognize that current structural economic changes are likely to have permanent effects. As David Harrison at the Northwest Policy Center has noted, workers are waiting for the mill to return to full employment without realizing that it already has.³¹

Development capacity is further weakened when close-knit communities nurture internal rivalries, or competition with neighboring communities (e.g., rivalry between schools or competition to attract industries). Such frictions can discourage cooperative efforts. The result is that communities forgo opportunities they may have to increase their capacity by acting together, even when cooperation would most certainly enable them to undertake efforts more successfully.

Limited infrastructure and human resources. One way to build capacity is to entice industries from areas outside the small community to relocate. This strategy sounds attractive, but may be difficult to pursue for a number of reasons. Often, small resource dependent communities experience shortage of manufacturing space suitable for industries. The unavailability of ready location alternatives can discourage firms of an appropriate size and type from trying out the move to a rural site. Many smaller communities cannot risk the expense of site development on the chance that a high-paying employer will fill it. In addition, the local workforce may be limited in numbers, and trained so narrowly as to discourage formation or location of firms that require specialized skills. In some cases, workers are educationally deficient, making them non-competitive for advanced processing technology and unable to compete in a global labor market.

Local leaders may attempt to compensate for these shortcomings by "selling the community" as a low cost location, or one which will accept industries with harsh environmental consequences. Osha Gray Davidson, author of the book *Broken Heartland*, suggests that communities that succeed at this strategy win a mixed victory, since such companies often take a long-term toll on the community: downward pressure on wages, environmental degradation, and economic assistance the community can ill afford to provide.³² Efforts to attract big new industry and establish industrial infrastructure from scratch come with risks that are often greater than small communities can bear.

Limited economic diversity. Resource dependent communities may fail to seize upon modest opportunities that may make a small but tangible difference immediately, as well as growth over time. A historic lack of diversity in the Northwest's small communities raises obstacles to capitalizing on other opportunities. Many resource dependent towns have been sustained by one or two major employers; so long as those employers remain strong, there is no obvious reason to diversify. Thus, two particular types of opportunities are often left undeveloped: these include such options as capturing retail spending and fostering the growth of new and small companies.

Further, development leaders in many resource communities are inclined to view the basic industry in light of problems, not opportunities.³¹ Subsequently, much effort is expended on strategies that would influence resource supply, regulation, or commodity prices. Too little attention is paid to the competitive capability of the existing resource sector. Leaders fail to consider the possibilities for additional employment that may be available through greater specialization, expanded markets, and secondary processing using local natural resources.

Resource Dependent Communities Respond

Steps by communities to craft and carry out their own development efforts are hallmarks of a new tide of rural development practices. The best of these use community involvement as a primary tool to expand the leadership base and balance development objectives with local wishes. A new emphasis is placed on client and service provider networks, designed to complement specialized assistance services offered by federal, state and university offices. These practices respond directly to isolation by helping communities to improve both supply and demand for specialized assistance.

Finding a development focus. The alternative paths of development fall roughly into three categories: community, human, and enterprise development. *Community development* efforts deal with local leadership, social services, public infrastructure, and the utility and appearance of the local area. *Human resource development* efforts consider education, training, and workforce issues. *Enterprise development* includes efforts to track the strategic conditions in selected economic sectors, support developing enterprises, assist critical industrial sectors, and expedite local placement and expansion of firms.

Many of the projects communities find attractive require resources of size and specialization beyond local capabilities. Overly ambitious goals can leave communities depleted and discouraged, wondering whether local leaders can influence revitalization. A major challenge communities face is to match dreams to capacities, as they initiate development efforts.

Local versus linkage approaches to development. How do communities match development dreams to capacity? Part of the process involves deciding whether development goals can be achieved by purely local efforts, or whether they will require accessing outside sources: that is, the basic approach to capacity building may stress strategies which are either *local* or *linkage* in their emphasis.

Local approaches include all the steps that a community can take to enhance its vitality without significant resources or assistance from outside the community. The techniques mobilize local resources to address development problems, concentrating on issues that are within the businesses, people, and the community itself. These efforts often lay a groundwork for more ambitious projects as communities build a capacity to respond to changing conditions. *Linkage approaches*, on the other hand, are especially helpful in cases where progress depends upon information about conditions outside a given firm, and often far from the community. Such problems are global by nature and can benefit especially from external assistance. Examples include efforts to improve marketing, product design, or process technology.

Before they decide which emphasis—whether local or linkage—the community will take, leaders need to consider how each approach impacts specific development activities. For instance, what are the differences likely to result from choosing local versus linkage approaches to an activity such as “beautification?” How is a project’s overall scope likely to be limited or expanded; How do individual strategies differ when the approach is local versus linkage in orientation? Figure 1.14 provides an interaction grid detailing the differences a choice of local or linkage approach brings to efforts in the areas of community, human resource, and enterprise development.

<i>Development Need</i>	<i>Local Approaches</i>	<i>Linkage Approaches</i>
	<i>Employ local resources to achieve goals and solve problems that are predominately of a local nature.</i>	<i>Employ regional alliances, state, federal, university, and private sector specialists to inform and assist, mainly on specialized topics.</i>
<u><i>Community Development</i></u>		
Leadership Local beautification Infrastructure Social services	<i>Small communities can undertake many steps for community development by themselves. Local beautification can be achieved entirely locally. In other community issues, clear goals and an assessment of local resources that can help to achieve them are good early steps in community development.</i>	<i>Needed technical expertise may not exist locally in all community issues. Outside assistance can provide help vital to organizing, training, and guiding leaders. Redesigning "Main Street" can benefit from outside programs and expertise. Funding and support for infrastructure and social service improvements can be advanced much more quickly with non-local support.</i>
<u><i>Human Resource Development</i></u>		
Education Workforce training	<i>Local educational resources are often well developed and have a history of being locally driven. Training, retraining efforts, too, can be led by business, labor, and governmental groups. Residents, private firms, and local educational facilities can play important roles in the success of local initiatives.</i>	<i>Outside assistance may help support educational, apprenticeship, and retraining programs; track regional and national programs; compare local achievements to leading competitors; and support retraining and placement efforts.</i>
<u><i>Enterprise Development</i></u>		
Business counseling Market development Product and process expansion Small business development Business retention and attraction	<i>Small community leaders can create a positive "business climate" by establishing networks of local professionals committed to supporting local business needs; they can identify common needs of sector or stage-of-business groups; and they can facilitate delivery of assistance from other sources. Some communities create local capital pools, or invest directly in enterprises that are critical to other enterprise goals or may fund local development efforts.</i>	<i>Specialized outside assistance addresses many types of business assistance problems. Services may help to assess competitiveness of local industrial base and review opportunities and threats to the local base. Other sources directly provide aid to businesses in areas such as export and market development; small business counseling; engineering, technology, and product development; targeted assistance for specific sectors may be available; and many services can help target and enhance prospective businesses.</i>

Figure 1.14
A Typology of Rural Development
Strategies

Some dominant strategy types. A review of some rural development initiatives in common practice today illustrates how efforts can be placed in the context of particular segments of a strategy matrix.

Local efforts often serve basic needs of the community and its people by laying the groundwork required to enable larger initiatives to succeed. Examples of local initiatives include:

- Beautification efforts.
- Import substitution ("plug the leaks") programs.
- Conservation and efficiency measures.
- Retail and main street revitalization programs.
- Business retention programs.
- Efforts to increase participation by the community, individuals, and small businesses in government programs, such as CBDG, SBA, and a whole range of other federal assistance programs.
- Basic literacy or worker redevelopment efforts.
- Economic and community self assessment.
- Efforts to promote the community as business or a retirement location.

Regional associations bring together communities, individuals, or firms that have common needs in efforts that reduce the importance of local boundaries. Such affiliations increase the range of options that can be undertaken locally by helping small communities gain the specialization of leadership and administrative scale demonstrated in larger cities through initiatives such as:

- Development of multi-community scenic loops for tourists.
- Cooperative administration of educational and health care services.
- Formation of grants libraries and fund raising support services for community, enterprise, and human resource development groups.
- Support for planning and technical support for local governments.

Urban-oriented strategies concentrate on achieving development goals by capturing city markets. Some examples of enterprise development strategies identified with targeted urban niches include:

- Marketing to nearby cities promoting tourism, retirement, and recreation development.
- Establishment of regional import substitution (marketplace) programs focused on identifying and capturing manufacturing opportunities.
- Development of telecommunications-intensive back office and other service jobs.
- Marketing of specialty goods in markets for crafts and farm goods.
- Recruitment of secondary manufacturing plants.

Enterprise assistance efforts can be supported locally, but most communities find it beneficial to leverage local assistance with specialized services offered through private, university, state, and federal sources. Typically programs aimed at enterprise assistance work to:

- Promote micro-business formation with counseling, classes, and finance.
- Increase exports and develop new products through individual firm consulting.

- Help organize and fund training programs and placement services for targeted firms in high-wage industries.
- Provide specialized industrial management consulting in marketing or process technology.
- Create business parks and industrial infrastructure needed to lure new basic industries.
- Implement new process technologies.

Value added enterprise strategies often seem most successful where there is effective coordination between local and external resources, as well as integration of services supporting human, enterprise, and community needs. Some exemplary approaches in this category include:

- Developing cooperatives for production or marketing of goods.
- Working with community colleges and industry groups to develop training courses in targeted skills.
- Promoting new or employee ownership of closing processing facilities.
- Developing incubator facilities specifically for value added enterprises for targeted sectors at a particular stage of business development.
- Helping firms make use of industrial extension and other technology and information transfer services.
- Hiring shared management experts.
- Arranging specialized financial and technical assistance using federal, state, university, and private programs.

Conclusion

Rural leaders seldom need to be convinced about the need to develop value added industry, especially in places which are historically dependent on natural resources. Nurturing such enterprise, however, requires partnerships that stretch the capacity of communities in ways that other possibilities do not. Value added processing requires investment in the skills of workers. The cooperation of education and training programs to establish new systems is essential. Infrastructure and transportation needs may be dramatically different. All these efforts require support from local government. Because the local business community may be unaccustomed to financing and supporting services, a climate of change and responsiveness in the private sector is of increased importance. And there must be reasonable access to outside information services which provide input the community cannot expect to, helping community leadership to track and take advantage of technology, market tracking, and product niches.

Moving forward in each of these areas requires that communities invest time and energy over a long period. The next chapter outlines approaches and pitfalls communities often face as they reorganize for community economic development. The guide's final chapter presents several successful cases of value added enterprise development that are emerging and some characteristics they hold in common.

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2

Small Town Strategies for Building Development Capacity

The community is the bootstrap level of government: that level at which people are willing to act upon a sense of common interest to preserve a place's vitality and quality of life. Strengthening this sense of community identity can be key to the success of local revitalization strategies. Local leaders may choose to deepen already existing community commitment by reassuring the same people who pitch in to raise a barn, establish a neighborhood watch, or operate a volunteer fire department that their needs and values are taken seriously; that they will benefit from a cooperative effort in the face of economic challenge and change. Or leaders may seek to enlarge the community of involvement, reaching outside present community boundaries to recruit new people, interests, and abilities.

For several reasons, the local community has become an increasingly critical point of revitalization initiative. Technological changes have buffeted local economies. International economic forces have increased competition between local natural resource industries and their global counterparts, even for domestic markets. The competitiveness challenge has been brought to bear directly upon resource reliant communities.

Increasingly, much of the burden of leadership in revitalization efforts has fallen from the national government to states and smaller communities. State programs have had to find new ways to stretch already limited resources as they attempt to strengthen local economies. Often, they have established programs in which help is given to those who know how to ask for it most effectively. Naturally, smaller communities, unfamiliar with the options open to them, suffer a disadvantage.

In a time when federal and state-level governments show a limited ability to provide assistance, rural communities must position themselves to strengthen their own economic vitality. They must learn to act as gatekeepers to their own economic futures. Many communities have responded to the challenge with vigor and creativity. Innovations at the community level, including several new tools for rural economic revitalization, have emerged. Policymakers are discovering which approaches are appropriate, given a set of conditions, and which are not. An increasingly sophisticated network is being generated to help communities assess their existing practices and develop new ones.

Managing from Below: Two Organizational Frameworks

Capacity building refers broadly to improving the ability of communities to design and carry out community initiatives. The process may involve any combination of a number of strategies, including:

- Adding more people to the local leadership base, thus working to overcome the rural disadvantage of a thin leadership pool.
- Building the technical, management, or leadership skills needed to enable the best decision making.

- Establishing new processes and practices that better facilitate local decision making.
- Better using outside resources to support development and implementation of community initiatives.
- Providing technical support and information to assist local decision making.

In an increasingly complex environment, how does the small community develop a vision of its members' common interests, and act capably on that vision? In general, communities that succeed in implementing strategies such as those just listed, appear to do so because they have been able to organize a team from within the community; gather pertinent information from within, as well as outside, community boundaries; interpret that information; develop strategic options; and gain broad community support for the options selected.

Two prominent models reveal both the variety and similarity of approaches for assisting communities to direct their own revitalization endeavors. The models are exemplary in the ways in which they make use of tools available to expedite the community revitalization process. In the first model, "tools" come in the form of extension service expertise and technical assistance offered by local, state, and university-based agents. In the second, "tools" are seen as published guides and workbooks crafted to facilitate a process managed by the community itself by following a series of necessary and attainable steps.

The Extension Model for Community Economic Development

Glen Pulver, a leading voice in rural community economic development policy in the United States, has been instrumental in initiating one of the most widely known and applied frameworks for rural development assistance. Working with Ron Shaffer and others at the University of Wisconsin Extension Service, Pulver has created a program that coordinates the efforts of county extension agents. The model's aim is to assist, at the ground level, in locating and implementing technical resources available through university, state, and federal sources. The extension model allows communities to make use of a wide variety of economic and technical resources available beyond their borders.

Pulver's model stresses the importance of developing a comprehensive, community-based economic development policy that considers local values, goals, resources, and opportunities. His widely utilized scheme emphasizes five basic development strategies:¹

1. Improve the efficiency of existing firms
2. Improve the ability to capture dollars in the local economy
3. Attract new basic employers
4. Encourage business formation
5. Increase aid received from broader government sources

The extension model's major strength is in the access it provides to staffing support and technical assistance resources that are otherwise unavailable to many small communities. The importance of accessing external resources should not be underestimated—the ability to use technical assistance is a common denominator among many successful community efforts. Success also depends upon a community's ability to tailor existing resources and strategies to their own unique circumstances.

The Economic Renewal Model of Community Revitalization

The Rocky Mountain Institute's Economic Renewal Program is a promising example of a comprehensive development tool constructed to be "simple in concept, sophisticated in effect, and designed for use by ordinary citizens."² Program development has involved years of research and field testing. The Rocky Mountain Institute has demonstrated a long-standing commitment to the design of sustainable development processes, focused on both community and natural resource management. Accordingly, the institute has generated a set of manuals and workbooks created to help communities assess and develop options for local revitalization independent of outside technical support.

The institute's guides focus on a variety of topics, including business opportunities, financing, and energy. They encourage the involvement of community members in a series of workshops, designed to identify factors underlying economic problems, apply program principles to these problems, generate project ideas, and evaluate those ideas. The model proposes four economic renewal principles for developing business in the community:³

1. *Plug the leaks:* Focus attention on preventing unnecessary leakage of dollars from the community in the form of goods and services that could be or are produced locally.
2. *Support existing businesses:* Concentrate on this largest potential area of growth by helping local businesses to stay in the community or even expand.
3. *Encourage new enterprises:* Promote establishment of new businesses and help them survive through the early high failure period new firms experience.
4. *Recruit compatible new businesses:* Emphasize selective recruitment of compatible new businesses from outside the area, especially those that would fill an identified need or that would encourage export of goods from the area.

Both extension and economic renewal models have succeeded in challenging participants to think broadly about the options available to them before the real work of community economic development begins. While business development and recruitment are viewed frequently by rural leaders as ends in themselves, these models emphasize that such strategies are only a part of the larger picture (Figure 2.1). By expanding the base upon which even very small communities can build, the University of Wisconsin Extension and Rocky Mountain Institute models have made the outlook for revitalization of rural areas much more promising than it once seemed.

Despite the obvious similarities between the principles of these two programs, their approaches to why, where and how capacity is built are quite distinct. To what end is local revitalization pursued? In the extension model, much attention is focused on economic expansion and growth. Ideas are evaluated in terms of their capacity to capture more income and jobs from the outside economy. The economic renewal model concentrates explicitly on what it calls "sustainable development." Here, improving prosperity and quality of life for local people is the more fundamental goal.

In response to the second question—Where does additional capacity come from?—the extension model emphasizes outside resources, including training and facilitation offered by the Extension Service itself and

Figure 2.1 **Community Leadership** **Innovations: Generating Basic** **Employment Through** **Non-Enterprise Activities**

Economic base theory portrays the local economy as a leaky bucket into which dollars enter as basic industry, trickle through the community through local trade and economic linkages, and exit through trade leakage (see Chapter 1, Figure 1.11). This theory is especially attractive because it suggests three straight-forward approaches to development: developing new industries, enhancing retail trade, and replacing imported with locally produced goods.

Both the Rocky Mountain Institute and the University of Wisconsin Extension programs encourage leaders to think beyond direct business problems. They maintain that the principles of economic base theory can be applied to stop leakage and increase outside income in a variety of novel ways: for instance, replacing energy expenses with local labor and equipment can generate additional employment and spending in the local community. In another example, assisting local residents to take full advantage of federal programs such as Social Security and Medicaid can substantially increase local incomes and spending.

For more information, see *Energy Casebook* by William D. Browning and L. Hunter Lovins, Rocky Mountain Institute, Snowmass, Colorado, 1989; and *Community Economic Development Strategies* by Glen Pulver, University of Wisconsin Extension, 1989.

others. The idea is to expand the local team by reaching outward; to use outside help effectively. In contrast, the economic renewal model emphasizes using local people in new ways. Here, capacity is built by reaching more deeply into the community.

The third question is closely related to the second: how is capacity built? The principles of the extension model serve as guideposts that local leaders can use as needed to inform their decisions. The emphasis here is on choices that communities face and tools for evaluating them. Presumably, communities make their way to these choices with help from trainers and advisors. The economic renewal model provides a more integrated and self-guiding approach that is in keeping with its lack of dependence on substantial outside training and support. A series of community workshops progresses in steps through a program that considers the various principles methodically. (Chapter 4 presents several tools for community self assessment and strategic planning, and illustrates the differences between them in greater detail.)

State-Level Strategies for Rural Revitalization

How do state-supported economic efforts help a community to help itself? A recent review of economic development strategies in states throughout the Midwest identifies four program types which seem to dominate state-directed efforts aimed at small communities:⁴

1. Recruitment policies designed to encourage investment in the state, usually through direct incentives and subsidies, dominate many states' approaches to economic development.
2. Efforts to increase the growth of small businesses often include services that supply basic management assistance, improve capital availability, or assist in development of new markets.
3. Programs that help communities and groups of people to improve their ability to develop and implement new strategies, enhance leadership, and organize community processes are especially useful for smaller towns.
4. Assistance directed at targeted industries and subsectors, especially those in distressed, traditional industrial sectors, often help in updating product and process.

Examining programs in Iowa, Kansas, Minnesota, Nebraska, North, and South Dakota, the review concluded that, however well-intended, such state-level programs ran up against a variety of barriers that impeded flow of assistance from state government to small communities. Further examination suggests that often these barriers were built into the programs.

Barriers to Assistance

Among Midwestern states, at least, it is apparent that the lion's share of economic development programs benefit larger communities, bypassing smaller places.⁵ In cases where smaller towns do participate, program benefits reach communities with a relatively diverse economic base more often than farming communities. Towns dependent upon natural resources, which need assistance most, tend to have less success harnessing program benefits than economically diverse places. Communities must identify their own needs, select intervention programs, and obtain funding through complicated application procedures; and they must work against the flow of state programs oriented to favor greater scale and experience.

Some programs are designed to work best with urban scale. Initiatives most likely to achieve rapid success are most successful in urban places. Cities' larger economies, financial and infrastructure resources, and broad service sectors give them an edge in recruiting companies, as well as modernizing those already present. In addition, state and federal programs often set out criteria that give preference to larger-scale endeavors (more jobs generated, more dollars invested, bigger businesses saved, larger groups served) in a way that puts rural communities at a disadvantage. When small communities do not successfully compete for programs, they are deemed inviable.⁶

Some exclude smaller players outright. State and federal policies may exclude smaller communities or set them at a disadvantage by design. Some finance programs provide a good example. Smaller communities must compete annually for federal Community Development Block Grants (administered by the states), while larger communities get them as a matter of course. Assistance earmarked for a certain project size or purpose often targets activities larger in scale than smaller communities require, or are able to generate by themselves. Some analysts call for triage policies—selectively closing the programs to smaller communities.⁷

Some programs involve competitive processes that favor more diverse settings. Many programs require competitive applications that tend to favor communities with a winning combination of superior ideas, ambitious leaders, and organizational experience. Though many state demonstration programs make efforts to help weaker communities compete, in the final analysis, those that are not well organized are dealt out of the process just as surely as if they were excluded by design.

Many programs require local communities to select the assistance they need. Increasingly, states are making communities responsible for seeking out the programs they wish to utilize. Unless communities are experienced fund seekers, they are likely to miss many opportunities. Exclusion of this sort may be a reaction to the increasing burden passed down from the federal level to the states during the 1980s (Figure 2.2).

Overcoming the Barriers

How can local leaders shape effective initiatives? Experienced development practitioners have tried to define both best and worst practice in small community capacity building efforts. Opportunities and pitfalls can be identified by all rural community leaders who seek to brighten their communities' economic future. Some of the following suggestions may be helpful.

Consider all the players. If "development" means merely an effort by one entrenched interest group to educate another interest group concerning the rectitude of its wishes, the battle is likely lost from the start. While it is only natural that feelings regarding a particular set of interests may run high, a narrow agenda that excludes major parts of the community is likely to do more damage than good. It is generally far easier to block than to facilitate development activities, as countless frustrated leaders of small towns can testify. In examining the determinates of successful economic development projects, one recent study found local support among the single most important factors. The study concludes, "The more controversy during preliminary stages of the project, the less likely the project will enjoy success regardless of how success is defined."⁸

Figure 2.2 ***The Obsolescence Test***

State economic development policy in Oregon seems to assume that communities experiencing economic distress will be able to respond on their own and take advantage of the capital and technical assistance made available by the state, . . . that communities that cannot respond on their own should not benefit from these resources. A community's inability to make use of the available capital and technical assistance is taken as an indication that its decline is irreversible. In this view, some of the communities of the other Oregon are obsolete. The test of their obsolescence is their inability to access state economic development programs. And (in this view) they should be allowed to simply fade away.

Small Towns and Communities in the Other Oregon by Michael Hibbard, 1989.

To survive, smaller communities must learn to look beyond narrow interests; they must show willingness to reconcile a broad range of interests, putting the consolidated efforts of the entire community behind identified development goals.

Rural leaders need to work to gain a clear understanding of which development efforts are likely to find support from the broadest cross section of the community. As one commentator notes, rural "communities that appear best able to act on matters of local concern are graced with a leadership that is skilled in involving a diverse set of actors in local decision making activities, who operate on the basis of democratic principles, and who place the welfare of the total community above the needs of any given special interest."⁹ Another policymaker states this more plainly: "Get all the players under the tent."¹⁰

Arguments between influential citizens can and do kill otherwise viable projects. Missoula Mayor Dan Kemmis illustrates this point eloquently in his book, *Community and the Politics of Place*.¹¹ Kemmis recounts the experiences of one leader who worked over the course of many months to devise and implement a local development strategy that residents supported. Finally, when it came time for the community to purchase a parcel of land as one step in the plan, progress stopped dead. The mayor of the community, it seems, refused to deal with the owner of the property because of a long-running personal dispute. As Kemmis notes, the inability to persevere in finding a common good often results in solutions that none in the community would choose. For this reason, a growing number of rural policy practitioners are beginning to promote various approaches to mediation as a necessary tool for community development leaders.

Balance implementing specific initiatives with building organizational capacity. Many community development leaders assume incorrectly that the best course of action is clearly evident from the start. They may fear wasting time on systematic efforts to gather information from inside and outside the community. Leaders who fall into this trap often select ambitious goals which have an all-or-nothing quality about them: for instance, to build a railroad, create a resort, or recruit a major plant. Development projects that fix on particular enterprise opportunities often founder, not because their leadership isn't bright or capable, but because they haven't considered a sufficient range of options, or because they fail to act at the right time.¹² The most successful community efforts appear to be those that match ambitious vision with a consistently active organization—a marriage of brains and bootstraps.

Community leaders need, first, to devise a strategy open to ongoing assessment and revision. The priorities of local development efforts should be the product of a deliberative strategy formulation process that identifies strengths and weaknesses affecting development, in light of changing opportunities and threats.¹³ This process can take a variety of forms, and is likely to include a series of structured community meetings, as well as research and analysis of economic conditions and the comparative advantages of available strategies.

Second, leaders must sustain development efforts over the long term. Analyst DeWitt John has found that thriving rural communities had economic development efforts that were in every case at least ten years old, and in some cases, many years older than that. The types of businesses accounting for growth in these communities were not exotic new sectors such as biotechnology or electronics, but "plain vanilla" industries such as metals or consumer goods manufacturers. John further notes the

presence of unifying leaders who involve and energize a broad interest group. These individuals seemed to exercise strong influence over the success of local actions (Figure 2.3).¹⁴ His observations are supported by the work of Shorebank Advisory Services, an organization that focuses on sources of community distress (Figure 2.4). The economic revitalization process, Shorebank maintains, "integrates slow, small scale, organic activities with well-planned large-scale projects."¹⁵

Examining characteristics of high-growth communities in distressed rural areas of the Midwest, A Brighter Future for Rural America? looked for clues to rural vitality in (1) the kinds of firms involved (evaluated by size, whether they were recruited or home-grown, the extent of start-ups or expansions, and the type of industrial sector involved); and (2) any contribution of government (the assistance provided to growing firms, the role local leadership played, and whether leaders came from the private or the public sector or both). It should be noted that the study's target variable, economic growth, is only one appropriate goal of local activities. The eight "keys to success" noted here illustrate the characteristics of successful rural enterprise development efforts.

(1) Sustained local development activities.

In most cases, sustained efforts by local business and political leaders provided concrete assistance to many of the growing firms. Three out of four high-growth communities had an active effort in economic development for well over 10 years, and had invested several years worth of effort before seeing results in jobs and investments.

(2) Finance, sites, buildings, and infrastructure.

No single type of assistance was found to be dominant or singularly effective. Rather, the communities used a full range of tools to help with financing, siting and other efforts to assist in the establishment and growth of business. Public and private service providers alike were praised as effective and eager to help.

(3) Recruitment and entrepreneurship.

Communities balanced both recruitment and business development strategies successfully. Long-established local businesses were a prominent source of growth for most successful counties. Another important job source was what appeared to be a blend of recruitment and enterprise development strategies: the community recruited entrepreneurs or encouraged branch plants to be taken over by entrepreneurs. Most development leaders saw danger and diminishing returns in looking to large recruited firms as cure-all solutions to local economic problems.

(4) Manufacturing and services.

High growth communities relied mainly on basic manufacturing, such as food processing or producing for that region's motor vehicle sector. A few saw significant growth from telecommunications and other services industries, but this was the experience of the minority of communities.

(5) Forward-looking firms.

Though firms that make high-tech products were rare, firms were present that were very advanced in their use of state-of-the-art production techniques, development of new products, and pursuit of new markets.

(6) Pro-growth attitude.

Key people were willing to commit the time, effort, and resources needed to help solve problems for firms. The high growth counties were characteristically capable of mobilizing a wide array of expertise, including public and private sector community leaders in its recruitment efforts. Troubleshooting for existing businesses and helping them overcome difficult hurdles was characteristically seen as an important part of the development effort.

(7) Leadership: partnerships and unifying leaders.

High-growth communities had well-organized networks of leaders that integrated the efforts of economic development professionals, bankers, business owners, real estate professionals, utility company executives, and other local leaders. Unifying leaders often helped keep a common sense of direction, lent energy, and provided consistent commitment to the economic health of the community.

(8) Support from outside.

Leaders in high-growth communities recognized the important role of outside assistance to their success. Among the major sources of help were state agencies providing financial and technical assistance, university and private sector specialists, and Cooperative Extension Service. Assistance came in the form of financial help, training programs, technical assistance to local businesses and leaders, information, and data about local and national conditions.

Figure 2.3
Characteristics of High Growth Areas

A Brighter Future for Rural America? Strategies for Communities and States by DeWitt John, Sandra S. Batie and Kim Norris, 1988.

Figure 2.4

Principles of Effective Community Revitalization

The following were included in Shorebank Advisory Services' 1990 briefing materials as principles "applicable to the reestablishment of healthy neighborhood economies." The firm is the consulting arm of the Shorebank Corporation, which has been instrumental in establishment of bank community development corporations and their application to community development financing in rural and urban areas alike. (The firm has an office in Seattle which serves the Northwest.)

- Local residents will invest time and money to improve their neighborhood when they are confident about the future.
- Carefully underwritten loans to neighborhood residents usually are repaid as scheduled.
- Neighborhood development banking is challenging but not inconsistent with profitability.
- A permanent community renewal process integrates slow, small scale, organic activities with well planned large scale projects.
- Locally based organizations with the capacity to initiate development projects are as critical to a permanent development process as similarly motivated financial intermediaries.

Shorebank Advisory Services, Shorebank Corporation Briefing Materials.

Figure 2.5

Leadership and Revitalization of Resource Dependent Communities

We found that community-based economic development organizations do not usually focus on natural resource-based strategies. It is often assumed that the 'old' natural resource primary industries — agriculture, forestry, mining, fishing — are part of the rural problem. And, in one sense, they are — rural areas have paid a price for an overdependency on any one aspect of the resource base when changes in global demand or technological change, or resource depletion has radically altered the industry and thereby the rural economy.

Recouple; Natural Resource Strategies for Rural Economic Development by Margaret Thomas et al, 1990.

Avoid the "grab bag" approach. Many business assistance efforts, attempting to serve all firms in their community, shoulder responsibility for a barrage of varied requests. Most can offer only a limited selection of services to client firms, and yet must find ways to assist enterprises vastly different in sector, size, and stage of growth. To extend the reach and specialization of their programs, development organizations are making use of a growing menu of innovations. These include splitting assignments with other local service providers; "retailing" technical services from outside the community; working through "flexible networks" with groups of businesses demonstrating similar needs (especially where there is clear potential for these businesses to help each other); imposing fees for valuable services, so that increased revenue can permit more companies to be served; and targeting specialized services to particular groups.¹⁶

Address key challenges and opportunities. While development leaders know that growth stimulates revitalization, they must keep in mind that the reverse is also true. A fixation on jobs, especially new jobs, consumes more than its share of attention from many leaders as a single development objective. By defining goals so narrowly, efforts often fail to address other economic issues critical to prosperity, and to quality of life: Such issues include:

- *Leadership and community member cooperation.* In one recent Oregon study, the majority of working families in timber communities expected they would be forced to move from their homes, even though they preferred to stay. Community members in these towns did not believe the efforts of local leaders would help them.¹⁷ Indeed, in some smaller communities, there is no history of interaction between natural resource dependent firms and local development efforts. Consequently, these firms tend to look elsewhere for help. Further, some local leaders may see traditional employers as part of the problem (Figure 2.5).¹⁸
- *Health care and social services.* An aging population and/or shrinking of the population base is stressing social services in a number of communities. Many rural hospitals have been forced to close or to dramatically reduce their services. Yet technical assistance for hospitals is available in most states of the Northwest, and the assistance has been shown effective in helping small hospitals stop leakage of health care dollars and thus remain financially viable.¹⁹
- *Poverty.* Even in the states of the Northwest, rates of rural poverty equal and exceed those in urban areas.²⁰ Observers of this trend nationally have pointed out some disturbing characteristics of rural poverty in the 1980s. First, rural poverty grew by 4 percent and remained high, even as urban fortunes improved. Second, in rural areas, a higher percentage of poor people work, reflecting, in part, a lower-skill, lower-wage occupational structure within many rural economies.²¹ Third, state and federal programs have been shown to be less effective at reducing poverty in rural areas.²² Some of the most prominent rural economic development activities target low-wage industries that may help entrench, not surmount, conditions of poverty.²³
- *Transfer payment participation.* One reason rural poverty is less responsive to state and federal intervention is that fewer eligible citizens take advantage of existing programs; and many who do participate do not get their full benefits because they don't fully un-

derstand the terms of eligibility. Transfer payments and non-wage income are among the fastest growing income categories. In some communities, these may be a significant source of income growth potential.

- *Education and community development.* The survival of rural communities may depend upon an ability to retain their young people. Yet students often see little opportunity for themselves locally, and subsequently leave upon graduation. Community vitalization efforts can merge the interests of the community and the school, increasing options for young people while enhancing the community's vitality (Figure 2.6).

Use caution in treating the community as a product to be sold. Many development leaders see the community as a "product" in a marketplace in which developers compete for customers in the form of investors and businesses. Communities differentiate themselves from other locations by highlighting unique advantages, such as improved facilities, a skilled work force, or even life style amenities and community spirit.²⁴ This approach may be useful for communities in a good position to recruit desirable firms. Many distressed resource-based communities, however, are disadvantaged in two ways: (1) their product is less salable, and (2) the sales staff cannot match the resources of larger counterparts.

While urban communities frequently practice "community as product" development strategies, rural leaders face the frustrating realization that they cannot match the competitive capability of larger communities packaging themselves as a location for investments and company relocation.²⁵ Smaller communities have difficulty matching the incentives available in larger places, such as specialized workforce training, improved industrial space, financing, and professional services.

One category of new industry options open to distressed communities includes difficult-to-locate facilities and relatively low-paying employers. In his book, *Broken Heartland, The Rise of America's Rural Ghetto*, Osha Gray Davidson cautions against the "low cost" attraction pitch as "ensuring the downward mobility of workers and their children."²⁶ Other analysts, Glen Pulver among them, have suggested that industries offering lower paying jobs, or jobs linked to environmental degradation, may present acceptable opportunities for communities willing to live with these conditions.²⁷

On the whole, recruitment as a revitalization strategy must be considered with careful attention to its disadvantages, as well as advantages (Figure 2.7). Rural communities successful in utilizing industrial recruitment have been so because they integrate recruitment as one part of a long-term program for development. Communities using recruitment strategies with most success offered local firms and entrepreneurs the same support available to outside business "prospects," blurring the distinction between recruitment and entrepreneurship strategies.²⁸

Evolving State Technical Assistance Programs

Over the last decade, state and federal-level programs have shifted their focus away from recruitment of new businesses toward financial and technical assistance programs aimed at existing enterprises and communities. There are two main reasons. First, small firms make up the great majority of all businesses, and have been responsible for the great

Figure 2.6 Innovations in Capacity Building: Engaging Students in Community Development

Some communities have successfully blended local development efforts with education to involve youth in community leadership in many ways, including:

- **Investing in the local community.** Public service components may be incorporated into classes. Teachers may be encouraged to consider a score of ideas applicable across the curriculum, from organizing debates in local elections, to gathering oral histories of aged citizens, or organizing and coordinating a recycling center.
- **Understanding the local economy.** In one example, students in Belle Fourche, South Dakota, conducted research that proved that having garbage collected by a local firm, though slightly more expensive, saved the government money after local economic multipliers were taken into account. Students may implement surveys, or utilize outside experts to answer questions of real value to the community.
- **Fostering entrepreneurship.** Rural school-based enterprise programs are credited with many types of successes. One North Carolina school's entrepreneurship program is intended to be an effective small business incubator. It pairs course work with actual development of businesses that are not expected to be short-term educational exercises. Rather, they are intended to be businesses that will become an on-going part of the community's economic and employment base.

What's Noteworthy on Rural Schools and Community Development, Mid-Centent Regional Educational Laboratory, Aurora, Colorado.

Schools as Entrepreneurs: Helping Small Towns Survive, Heartland Center for Leadership Development, Lincoln, Nebraska, 1988;

Rural Entrepreneurship through Action Learning (REAL), Pegie Davis or Paul DeLargy, Athens, Georgia.

Figure 2.7

Recruitment's Limited Promise for Smaller Communities

Helping local areas recruit businesses was the cornerstone of state development strategies for years. Enthusiasm for this approach has declined as leaders have recognized the many limitations of recruitment as a sole strategy:

1. *Impact diminishes as states and localities bid one another up, using costly incentives in an effort to "sweeten the pot."*
2. *Success comes hardest for the smaller and more distressed communities that most need new firms.*
3. *Recruitment of major employers (and some smaller ones) carries risks surrounding investment that are difficult to assess.*
4. *Incentives offered by communities are not very powerful economic factors in the siting decision.*
5. *Relatively few firms move or build remote branch plants.*
6. *Larger firms, the target of much of the attention, are not creating but, rather, shedding jobs.*
7. *By concentrating on moving jobs from one place to another, recruitment ignores many alternatives that can create new jobs and improve economic prosperity in other ways.*

bulk of new jobs in recent years. Second, governmental and university programs can track and disseminate some types of information that small enterprises and communities need, but have difficulty getting.

Even as states and universities have to become better partners with rural communities, there continues to be a general lack of information about the nature and availability of assistance services they offer.²⁹ The information gap persists in spite of the publication of scores of technical assistance directories, the establishment of on-line computer information hubs and business incubators, and the placement in key locations of advisers and business counselors trained to help rural people in the Northwest. Attempts to provide "one stop shopping" for community and enterprise services, despite commendable motivation, have proved uneven and their impact marginal.

An examination of state development policies, presented in the 1990 Northwest Policy Center report, *Forging Sectoral Linkages*, considered the limitations of existing business assistance programs in detail and identified several major areas for improvement. Addressing these is critical if assistance is to operate optimally.³⁰

Accessibility. The ability of technical assistance providers to track information means little if they are unable to deliver it effectively. All too frequently delivery efforts are hampered by limited funding. Further, technical assistance has most frequently been offered on a "you call me" basis. Unfortunately, the firms, leaders, and communities that can most benefit from technical assistance are the same ones scrambling to survive; suffering from inadequate information and expertise, they are the least likely candidates to seek assistance on their own behalf.

One alternative approach combines the efforts of specialists and generalists in a joint attack on the problem. The Washington Department of Trade and Economic Development's Forest Products Program is now employing experienced industry specialists as traveling consultants to wood products companies. These consultants identify firms which would benefit from assistance. Oregon has adopted a plan whereby state or local agencies could provide cash vouchers usable for technical assistance services from a wide range of agencies, as well as university and private sector service providers. Some envision a sort of "wholesale-retail" system in which local development leaders and agency generalists concentrate their efforts on linking technical specialists to the people who can best use them.

Outreach. Given limited budgets, most technical assistance providers assume that they will serve relatively few clients. For this same reason, services are much more readily available to those enterprises located close to the home base of the assistance provider. The result is that relatively few firms take advantage of assistance, even in largely rural industries facing substantial distress. In a recent survey of Washington wood products manufacturers, for instance, fewer than five percent had used any of the business or financial assistance services offered by local, state, university, or federal programs.³¹

Some technical assistance providers are able to cover more ground by forming alliances designed specifically to enhance the reach of service providers. The Missoula-based Women's Economic Development Group (WEDGo) is able to bring its enterprise development services to people across a broad area of Montana by allying with local groups in various towns. Local partners vary according to local resources: in one town, the union hall offers space and support, while other communities have

colleges that serve as local hosts. WEDGo provides classes, individual enterprise consulting, and loan guarantees in exchange for periodic office space and program referrals.

Integration. Compounding the effects of low accessibility of services, and lack of awareness on the part of local people of the options available to them, is the complexity of offering services that are useful and feasible for smaller communities. Blending services that have different application standards, funding cycles, reporting or local representation requirements and award sizes may be too much for smaller communities to manage. One community leader lamented, "We could have really used their help, but we couldn't take it on." Many programs may operate on the fair assumption that users should bear some of the burden of their own assistance. But often such requirements selectively weed out those groups that need the assistance most. The end result is that, rather than providing access to information, programs erect obstacles that make cost appear to outweigh benefit.

In an attempt to remedy this problem, Washington's experimental Self Employment Enterprise Development (SEED) Program has linked financial support for would-be entrepreneurs to small business counseling and incubation in a way that has eased program use by local economic entities. Under SEED's supervision, for the first time, unemployment benefits have been used to spur enterprise development; rather than getting jobs, the participants actually create jobs for themselves and others (Figure 2.8).

Some states have established offices to help rural communities coordinate services provided by their various agencies, and to reduce the burden attached to service use. The Kansas Rural Assistance Center, the New York Office of Rural Affairs, and the Washington Community Revitalization Teams are examples: these intermediary offices help ensure that the contribution required of communities who use services makes sense to small communities both in terms of effort and dollars.³²

Responsiveness. Commitment to innovative local practices by state, university, and federal service providers sometimes falls victim to agencies' predilection for close program control. State agency flexibility is often reduced by reporting requirements and program restrictions imposed by law.

Where possible, states must duplicate the sensitivity to client needs displayed by some local practitioners. For instance, rather than conducting yet another class in export trade development destined for small attendance, the Palouse Economic Development Corporation approached agricultural equipment manufacturers to determine their needs. The outcome was that this Southeast Washington-based EDC helped establish a company—AgriTechnics Inc.—to provide international trade development services to participating companies. Since the nonprofit enterprise is member driven, the organization has a built-in client base committed to using its services.

Accountability. To be truly accountable, a program must be able (1) to target its constituents, (2) to set appropriate goals, and (3) to evaluate program implementation. The experimental nature of many states' economic development efforts has resulted in programs falling short in regard to one or all of these goals. Programs often have no clearly delineated operating mission; or, because each of their major supporters focuses on a different aim, targeting potential recipients is avoided to

Figure 2.8
***Innovations in Capacity Building:
The Self-Employment Enterprise
Development Program Experiment***

Judy Johnson, Research Director, Washington State Employment Security Department, Olympia, Washington

A promising experiment-in-progress in welfare delivery is gaining supporters in the rural economic development community. The Self-Employment Enterprise Development Program enables unemployment insurance recipients to do three things impossible under current federal law: 1) get training and education while drawing benefits; 2) after training, receive all remaining benefits in one lump sum; and 3) use those benefits to start a small business. The program is innovative beyond simply giving recipients unusual latitude in using unemployment benefits. For the first time, jobs have actually been created through unemployment benefits, not only for the program participants, but for their employees. Also, the program links financial assistance to training in developing a business plan for a viable enterprise through Small Business Development Centers. Finally, the program employs careful controls so that strengths and weaknesses will ultimately be clearly assessable.

Under the Washington State-administered test program, welfare recipients who have a particular enterprise idea are required to complete a course of training in enterprise planning development and develop a thorough business and financial plan. They may then use the remaining balance of unemployment benefits as seed financing to start the planned venture.

Though final conclusions won't be reached until 1993, the trial program has generated better early results than expected, surprising some erstwhile sceptics in local economic development programs. Says Curt Carlson, of Kennewick, Washington, whose city is host to a demonstration of the program, "I thought when this started, 'There's no win here, no upside.' I was one hundred percent wrong. The program has been a major success."

The production-line norms on which federal unemployment programs were founded over 50 years ago don't match the changing realities of the workplace. Now, more are self-employed, work part-time or in small and decentralized firms. The Department of Labor is testing SEED and several other alternatives in an effort to identify improvements to the program.

maintain the broadest support base. Few state programs are systematically evaluated. An attempt to obtain a precise picture of actual jobs created and dollars invested often produces only speculation: what firms *estimated* they would generate in money and jobs.

Does an equitable share of the benefit of development spending go to communities that need the assistance? Are state strategies designed with the needs of rural areas in mind? Is there a balance between regions served? Are individual programs serving the purpose for which they were created? Methods of monitoring programs-in-progress must be established at their inception to make certain these questions are answered (Figure 2.9).

Twelve characteristics and criteria for monitoring state economic development programs, developed by the Urban Institute from an analysis of states' practices, supplemented by focus group discussions:

1. The performance monitoring system should focus on service outcomes and quality.
2. The performance monitoring system should focus on helping program managers improve their operations.
3. The procedures should provide frequent and timely performance information.
4. The performance monitoring procedures for individual programs should focus on the outcomes accruing to clients of program services (businesses and communities).
5. Multiple performance indicators are needed to assess service quality and outcomes.
6. Non-traditional data sources, such as client surveys and unemployment insurance data, are needed and should be used to help assess service quality and outcomes.
7. Performance indicators should include both "intermediate" and "end" outcomes.
8. The procedures should include indicators that attempt to show the extent of the contribution of state assistance to the outcome(s) reported by clients.
9. The system should provide breakouts that array service quality and outcome indicators by client characteristics.
10. The system should provide comparisons of performance for previous years, for target levels, and across categories or clients.
11. The system should include explanatory factors as well as performance data; in order to enhance understanding and reduce misinterpretation and misuse of performance data, clarifying and explanatory statements should be included.
12. The data collection and management procedures should be designed to be as inexpensive as possible and to keep demands on time and personnel for operating the system at minimum levels.

Figure 2.9 **Monitoring State Development Programs**

Monitoring the Quality and Outcomes of Economic Development Programs by Blaine Liner, et al., The Urban Institute, Washington, DC, September 1989.

The Next Step: "Third Wave" Strategies for Economic Development

Many states (and to some extent, universities and the federal government) are reshaping their technical assistance programs to address limitations in accessibility, reach, integration, responsiveness, and accountability. These new efforts have been dubbed the "third wave" of economic development by the Corporation for Enterprise Development.³³ Third wave approaches are best characterized by their attention to several issues: (1) strategic targeting of resources, (2) better linking of economic development efforts to basic human and community needs, (3) improvement of public-private partnerships, and (4) provision of services to groups of businesses with similar interests.³⁴

These principles have powerful implications for local development leadership. Accountability standards involving specific goals and outcomes, as well as objective evaluation methods, are emerging. Rather than offering essentially the same assistance to people with vastly different needs, specialized services can be directed at groups and communities with similar, specialized needs. Appropriate costs, be they fees or "homework" requirements, can help to replace other implicit costs of using assistance. Such costs introduce "gatekeeper" mechanisms, ensuring that services are utilized not simply because they are free, but because they represent an appropriate match between the service and the user.

To help assistance providers address related problems in a coordinated way, third wave strategies emphasize both horizontal and vertical approaches to service integration. *Horizontal arrangements* attempt to create a regular progression of services, increasing the impact of the individual programs as they better link objectives of individual, community, and enterprise development efforts. For instance, new business formation efforts may pair financial assistance with services that offer incubation and counseling. For established firms, management consulting in areas such as accounting, personnel, or inventory management may be linked to programs that advance their competitive position by building new markets or developing products. Technically advanced services, such as assistance with process engineering, can be integrated with worker training assistance to ensure that worker capacities progress in step with technology.

Further strategies aimed at coordination and consideration of efforts stress *vertically integrated arrangements*. These attempt to increase the power of services by emphasizing ties between levels of related services—civic, non-profit, private, university, state, and federal—that have tended to address similar problems independently. Development leaders can expand the reach and impact of services by forming partnerships, and attempting to serve groups or networks of businesses, rather than focusing on individual companies. Examples at the local level include creation of service networks to coordinate public and private sector service professionals, user clusters that enable focus on the specialized needs of industrial sector or stage-of-business groups, and regional affiliations that leverage the capacity of local development groups to pursue highly specialized strategies. To facilitate the match between firms and technical specialists, local leaders may ally with state and university programs, providing improved channels of delivery modeled after private sector arrangements, such as retail, branch office, or affiliate arrangements. Requiring users to pay for services extends already existing financial resources, which further expands service outreach.

As states formulate efforts to improve the effectiveness of their assistance programs, some of the responses will create new opportunities for local development leaders and their communities. Unfortunately, at present there is little hint of an attempt to provide new, well-funded programs at either the state or federal level. Rather, states are concentrating on finding ways to achieve greater productivity on the part of programs already in effect. Rural communities may find, therefore, that some of their best opportunities for enhancing local vitality lie in increasing utilization of specialized programs already in place. To make the best use of these programs, many local development efforts integrate public and private efforts to weave a complex fabric of basic services fundamental to a successful service network. Increasingly, small community development involves groups of people sharing similar economic problems to craft the services they will use. These groups may organize regionally to enable greater specialization of their efforts. And, once a solid base is established, these communities may begin to concentrate on targeted, strategically critical opportunities.

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3

Resources for Community Leaders in the Northwest

The decades-running decline of economic vitality in rural, mainly agriculture dependent areas of the United States has led some to observe that direct services have created a dependency in rural places discouraging to revitalization. Osha Gray Davidson's book, *Broken Heartland: The Rise of America's Rural Ghetto*, argues this case; concluding that governmental financial and technical assistance programs may have perverse local effects on rural places, particularly in the way they help communities respond to a dramatic economic shock, such as the loss of a major employer or long-term decline of the traditional economic base.¹

It is hardly necessary to agree that direct services create a damaging dependency, however, in order to conclude that governments can and must do their work more effectively. In *Reinventing Government*, David Osborne argues that a transformation is underway in how governments solve problems.² At their best, governments are learning to steer instead of row; catalyzing solutions that reach beyond the narrow world of the agencies. One way they are working this transformation is by seeking community ownership of services to replace the rigid control of services by government agencies. Not only may community-devised services be cheaper than their centralized alternatives, communities tend to understand their own problems better, bring a problem solving orientation to their tasks, demonstrate greater flexibility and creativity, and focus on local capacities rather than local deficiencies. What we need, says Osborne, is to encourage a transition from governments providing services to governments providing empowerment. Innovative practices identified for making entrepreneurial government work include public-private, quasi-public or private corporations, and rewards, or "bounties," delivered when measurable progress is made on public goals. This view of community empowerment and participatory democracy is not new. In fact, it is not far from Jefferson's original vision for America.

The problems of improving government services are especially apparent in rural places. The previous chapter demonstrated in some detail that many types of development assistance either don't reach rural communities in the first place, or don't work as well there as in more urbanized areas. There is a growing perception that, when localities are made partners in shaping programs, the services and service channels they create can be both more accessible and more effective. This chapter concentrates on capacity building programs that serve community-driven local and sub-state regional development groups.

Capacity Building in Small Communities: A Brief Review

Capacity building programs aim not to do for communities, but to equip them with skills, ideas, and experience, and improve their ability to find and manage the resources they need in order to do for themselves. Beth Walter Honadle defines the general term "management capacity" in terms of a cycle of strategic decision making.³ The organization (community or regional development groups, in this case) must engage in a

sequence of related activities to: (1) anticipate change, (2) make informed decisions about policy, (3) develop programs to implement these policies, (4) attract and absorb resources, (5) manage these resources, and (6) evaluate policy and program performance to guide future decisions.

Honadle points out that, "knowing what capacity is and knowing how to build it are separate, but related, issues."⁴ Capacity building requires not only that organizations be able to execute specific management tasks, but also that they integrate these tasks into a working whole. The most successful capacity building programs share many of the following characteristics:

- *Trust.* The recipients develop confidence in, and good rapport with, the provider.
- *Funding from a variety of sources.* By distributing the costs widely among various community groups and state programs, a variety of parties gain a stake in making capacity building efforts work. There are practical reasons for this as well. Many smaller communities do not have the resources to afford to undertake tasks alone.
- *Rewards.* As changes are implemented, measurable progress is rewarded. These rewards may come in the form of staffing support, direct financing needed to undertake or continue promising activities, free grant evaluation "points," and enhanced information about and access to new opportunities.
- *Involvement of local officials.* "One lesson learned from a variety of programs," writes Honadle," is that a capacity building program cannot succeed without the commitment of top-level local officials. It is also not likely to serve local purposes without it."
- *Appropriate assistance.* The assistance is not a standardized "management plan," but customized according to the size of place and group, existing capacities and structures, and the types of threats and opportunities that are faced.
- *Risk alleviation.* The idea that new, unproven steps should be taken may meet local resistance because previous efforts have failed to meet expectations. One common technique of risk alleviation is to undertake demonstrations of limited scale or time duration. This can establish a track record that helps determine whether or not a given initiative is worthy of a fuller commitment of time and resources.
- *Use of established resources.* Rather than discard existing structures within the community in order to build new ones, most successful capacity building efforts examine and work with what is in place, helping create new structures only when they are truly necessary.⁵

How the Chapter Works

This chapter selectively reviews several prominent programs available to local leaders in small towns of the Northwest states. The resources have been organized in terms of five major activities:

- Federally chartered regional development entities
- State organized capacity building services

- Telecommunications resources (Networks and other electronic links between community leaders and providers of information and technical support)
- Information resources (Sources that aid in gathering, interpreting, and presenting information to advance local decision making)
- Directories and catalogs (Printed catalogs, listings, and compilations of business and economic development assistance providers)

The first and second sections concentrate on federal and state approaches directly related to community management capacity. While there are exceptions in both cases, state and federal programs have taken different approaches to building local development capacity. Federal programs have concentrated more on establishing and staffing field organizations that help local leaders find and use established programs. Most state capacity building programs concentrate on particular management processes, serving community-based organizations with a customized mix of technical and financial services. There are great variations from program to program and place to place, however.

Two topics, telecommunications and data and information, are highlighted in the third and fourth sections. The tools and technologies involved in both these areas have gotten substantially better recently. In addition, relatively few communities (large or small) can use them without some help. Still, they are only two from many types of technical resources that can be better used by local leaders.

This review concentrates on capacity building rather than on programs that provide funds or services directly to businesses or individuals. Also excluded are all financing programs whose funding is not specifically intended to foster strategic decision making by community groups. Many thorough catalogs and guidebooks exist describing direct state, federal development services to businesses. An annotated review of some of these guides is presented in the last section of the chapter.

Each of the sections begins with a description of the main objectives and activities of the efforts that follow. The program reviews themselves are descriptive and evaluative. While the programs are not rated or judged here, the reviews do include information intended to help readers draw useful comparisons across state and agency lines.

Federal Regional Development Organizations

Three trends—changing business location criteria, the pursuit of a high quality of life, and the revolution in telecommunications—have area-wide consequences that suggest a new approach to rural development. This approach hinges on the tenet that the economic forces that have brought cities into being and kept them vital are the same forces that must now be channelled to transform rural areas. Any effective effort at rural economic change in the nineties must be multi-county, even regional in approach.

Graham Toft, in "Rurban Development: Radical Perspectives on a Perennial Problem," *The Entrepreneurial Economy Review*, January/February 1990.

One way communities can increase their ability to engage in diverse and specialized development efforts is by working together as regions. Numerous rural revitalization strategists—including Graham Toft, of the Indiana Economic Development Council; John Niles, President of Global Telematics in Seattle; Tom Stinson, a Minnesota economist and development analyst; and Jim Seroka, an analyst of community development practice—have described a vision of people in small towns cooperating, where it is to their common advantage, on economic revitalization efforts.⁶ Cooperative Extension Services and other programs of the USDA have channeled more resources to fostering collaboration among rural communities and developing rural-urban economic linkages.⁷

Regional entities for economic revitalization are not new. Many state and federal services have long been delivered regionally. Examples of such federally organized services include: Economic Development Districts, Resource Conservation and Development Areas, and the Cooperative Extension Service. Specially focused state programs exist as well. Alaska's Regional Development Organizations, Oregon's Regional Strategies Program, and Washington's Associate Development Organizations are regional efforts principally managed by the states.

Regional entities have been established and sustained because they deliver expertise more efficiently to less populated areas, and help create local leadership networks that can share ideas, and obtain peer support. Regions can also enhance representation; by banding together to utilize programs more effectively, individual communities gain the power of numbers needed to influence distant program and funding decisions.

What is new—at least enough for Graham Toft to label it "radical"—is the use of the regional or multi-community entity as a revitalization strategy in its own right. Regional and multi-community efforts can enable activities that are not otherwise practical. Where it is to their advantage, community members can achieve some kinds of scale and specialization usually associated with cities. They can, for example, create tourism "corridors," or establish new telecommunications and computing networks. They can take advantage of new financial tools, or generate demand needed for sector-specific production and marketing services. In these and other examples, regional organizations go well beyond matters of efficiency and representation, they increase the range of what is possible.

The following pages review three types of federally sponsored regional programs: planning districts sponsored by the Economic Development Administration; the Cooperative Extension Service; and Resource Conservation and Development Areas of the Soil Conservation Service. While all of these are regional in the nature of the service they provide, in none of them are current federal program guidelines geared specifically to fostering regional revitalization initiatives. For each, however, there are instances in the Northwest states where the entities have played a powerful role in building development capacity on a regional as well as local scale.

Figure 3.1
How Federal Programs Build
Capacity

Economic Development Administration Districts

- Financial and business development assistance for economically distressed areas
- Economic development planning grants
- Access to financing programs for business development
- Access to financing programs for community infrastructure
- Support for community human services (ie: worker training, aging)
- Small business counseling and technical assistance

The Cooperative Extension Service

- Programs in agriculture, family, youth, and community development
- Specialized workshops, classes, publications
- Demonstrations of innovative practices
- Intensive project assistance on selected issues
- Facilitation and organizational development services
- Access to national libraries for applied topics and federal assistance
- Access to university research and technology transfer services

Resource Conservation and Development Areas

- Management, and administrative support for interjurisdictional projects
- Organization of regional initiatives
- Conservation of natural, human, community resources
- Community and natural resources development projects
- Technical assistance in natural resource management
- Tracking and coordination of financial and technical assistance providers

The Economic Development Administration's Economic Development Districts

Targeting. *Economic Development Districts are upward looking; they enable local leaders to call on federal resources more effectively. In more sparsely populated areas, where few economic development organizations are well established, the districts can greatly enhance the effect of additional resources committed by state or local governments.*

Achieving Scale. *EDDs commonly host other government economic development programs, such as SBA Certified Development Corporations, the Job Training Partnership program, Small Business Development Corporations, and federally supported revolving loan funds. Some also administer other regional efforts such as Councils of Government or Resource Conservation and Development Areas.*

Costs and Requirements. *EDDs receive federal planning grants averaging \$50,000 to \$60,000 per year. In turn, the districts are required to maintain an executive board that represents local governments along with minority, and unemployed or underemployed groups. They must file and maintain an Overall Economic Development Plan for the region, and are expected to provide assistance to citizens in using Economic Development Administration programs.*

Programs of the Economic Development Administration encourage job creation and economic diversification in distressed areas. EDA makes available funds for public infrastructure and facilities, grants for planning economic development efforts, and business development loans. Unlike federal programs that distribute funds to all on the basis of a formula, EDA programs are competitive. To be successful, applicants must demonstrate both economic distress as well as good ideas and the capacity to implement them.

EDA programs are directly accessible to businesses and communities through agency representatives located in each state. Often, however, the EDA works through local service delivery agents in the form of multi-county regional offices. Economic Development Districts (EDDs), usually get their start with EDA planning grants. The districts created through such grants often become important players in local economic development.

Districts are chartered under the EDA 302(b) planning grant program. Grantees of this program are required to identify and assess their needs regularly, and to prioritize them in a basic strategy document: the Overall Economic Development Plan. In carrying out this plan, EDDs often become key channels through which community leaders and individual businesses identify and use many types of federal services available to support economic development. In this sense, the regional offices frequently act as service delivery hubs for federal programs.

Economic Development Districts are directed by a board of local leaders made up of representatives from local units of government, the private sector, minority, and groups representing the unemployed or underemployed. Since the districts respond to needs identified by their boards, their activities vary considerably from place to place, and the programs have developed different niches in the Northwest states. Common efforts include management of revolving loan funds, formation of business incubators, and helping to find and administer grants for infrastructure improvements. Some EDDs host worker-training councils, facilitate the volunteer community services provided by retired executives, or provide technical assistance in management of Community Development Block Grant, and other programs.

In Idaho, EDDs are the oldest and best-established economic development entities in the state and have taken on a comprehensive, coordinating role, making many types of economic development services accessible to businesses and community leaders throughout the state. The districts are also widely used in Oregon. In both states, the EDDs have carved out a position as providers of basic business development services, and as local administrators of many federal programs supporting business finance, planning assistance, job training, and services to the aging.

Seven EDA Districts in Washington serve a third of the state's counties. Another regional program—the Associate Development Organizations sponsored by the state Department of Trade and Economic Development—leaves for most EDDs a less prominent, more specialized role in financing, public planning, or business recruitment. Four of the districts, located in more rural areas of the state, were designated as

Associate Development Organizations. This formal designation as service delivery agents for both state and federal economic development programs is surprisingly rare.

EDDs are less widespread in Montana and Alaska. In Alaska, the EDA has worked with the state to create a hybrid of the EDD district structure in the form of the Alaska Regional Development Organizations (ARDORs). Montana has one EDD and several other smaller planning areas, including Native American reservations. While these planning areas cover only a small portion of the state's total territory, they seem to play a vital role where they exist.

Total EDA spending is not demonstrably more or less substantial in the states that make greater use of the District system, but it may be more widely distributed (Figure 3.2).

	<i>Obligated in 1990 (in thousands)</i>				
	<i>Alaska</i>	<i>Idaho</i>	<i>Montana</i>	<i>Oregon</i>	<i>Washington</i>
<i>Public Works</i>	\$2,800	\$700	\$430	\$1,993	\$2,432
<i>Planning Grants</i>	603	484	310	696	885
<i>Economic Adjustment</i>	300	0	840	1,752	0
<i>Technical Assistance</i>	0	50	115	127	66
<i>Total 1990</i>	\$3,703	\$1,234	\$1,695	\$4,568	\$3,383
<i>Cumulative</i>					
<i>1966 - 1989</i>	\$146,024	\$124,849	\$111,744	\$184,491	\$238,580

Figure 3.2
Economic Development Administration

Economic Development Administration,
1990 Annual Report, U.S. Department of
Commerce.

Services and Facilities

Economic Development Representatives headquartered in each state are excellent sources of information about EDA sponsored public works, planning, and economic adjustment grants, which are the three major programs of the agency. Representatives can help local development leaders access technical assistance and other sources of help offered by the federal government. Regional development groups must demonstrate economic distress to qualify for grants. Designation as an Economic Development District is seldom removed once given, however, and the organizations remain free to pursue priorities they identify for themselves and their service region. Grant recipients commonly support local economic development in rural areas through the following types of activities:

- *Economic analysis and community strategic planning assistance.* The district organizations track economic information and provide assistance in interpreting it. They often work with communities to develop strategies and action plans to improve their economies.

- *Small business lending and development assistance.* Districts tap the range of public and private resources to facilitate loan packaging, drawing upon federal programs administered by the Economic Development Administration and SBA 504 and 507(a) funds. Between 1975 and 1990, the EDA capitalized 465 revolving loan funds, many of them through regional groups participating in the EDD program.
- *Public finance assistance.* Districts assist local governments in identifying, seeking, and securing grants and loans for needed public works, from such sources as the Community Development Block Grant program.
- *Job training and small business counseling services.* District offices often coordinate federal, state and sub-regional services. Services to the aging, programs under the Job Training Partnership Act, and the Small Business Development Centers are common examples.
- *Special projects.* The best districts provide the organizational thrust needed to enable small communities to take on larger projects than individual communities can manage alone. In this way, they advance key economic development goals of communities in their districts.

The View from the Northwest States

Alaska

Berney Richert
Economic Development Representative
EDA
701 C Street, Box 10
Anchorage, AK 99513
907-271-2272

Currently, Alaska has one Economic Development District, which serves the Kenai Peninsula. The EDA has helped the state create a variation on the district system in the form of the Alaska Regional Development Organization (ARDOR). In essence, the program tailors the district system so that it can be implemented by the relatively large number of regional groups already established in the state, such as borough governments, and Native Corporations.

EDA also provides technical assistance directly to civic leaders, to help them identify and apply for federal programs that can advance their goals.

Idaho

Idaho is the only Northwest state that has Economic Development Districts in every corner of the state. The emphasis of these entities on small business assistance appears stronger than in most states. Many district offices are home to Small Business Development Centers and small business incubators, provide small business financing through Community Development Corporations, and host Private Industry Councils (the local administrative arm of the Joint Training Partnership Act program for worker training).

As the first and best-established economic development entities in the state, the Districts commonly work with state programs, colleges, and local development groups to plan and implement new ideas. This makes them a primary regional support entity for community leaders who would launch ambitious business revitalization efforts of their own. The recently established Sandpoint Business Incubator provides a good case in point. The incubator facility itself is owned by the city's Economic Development Corporation and managed by a local business development group. Staff of the Panhandle Area Council provide counseling to businesses in the incubator and manage its professional services.

*Al Ames
Economic Development Representative
EDA
304 North Eighth Street, Room 441
Boise, ID 83702
208-334-1521*

Montana

Montana has one certified EDD, the Bearpaw Development Corporation. Bearpaw does not share territory with other regional service providers, and the communities within it rarely have standing programs of their own for economic development. Hence, it provides much of the organizational base for economic and community development of the small municipalities within its region of North-Central Montana.

Bearpaw offers technical assistance on housing and community development matters; aides in seeking and applying for federal funding and for public works, housing, and business finance; helps in packaging enterprise financing; and acts as a link between federal and local programs. The organization helps small communities and Native American groups to undertake economic development projects they could not alone complete. Among its successes, the corporation lists the transition to employee ownership of a major manufacturing concern; community economic and strategic assessment assistance; aid in the establishment, at Northern Montana College, of specialized equipment testing services; and assistance in pursuing federal development grants for economic and housing development.

Resource Conservation and Development Areas are the state's most widely used regional institution for local development. At least one of these areas, the Headwaters RC&D located in Butte, has applied for, and is expected to receive, certification as under the EDA District program.

*John Rogers
Economic Development Representative
EDA
Box 10074
Federal Building
Helena, MT 59626
406-449-5074*

Oregon

Anne Berblinger
Economic Development Representative
EDA
121 SW Salmon Street, Suite 242
Portland, OR 97204
503-326-3078

Oregon's Economic Development Districts serve two-thirds of the state's counties. Many of the eight districts support economic assessment and strategic planning capacities of local government, and offer economic analysis and business development activities. In addition, the several district offices host Private Industry Councils under the Job Training Partnership Act, programs for the aging, and SBA 504 Certified Development Companies.

Of the several types of regional organizations in place in the state, the EDA districts cooperate most closely with those focused on the business side of the economic development equation (ie: recruitment, finance, counseling, and retention). Councils of Government, formed to stimulate cooperation among units of government, are remarkably strong in the state, and preceded the widespread formation of the District system. (Except for two EDA Districts working across state lines, all the districts are also Councils of Government; not all COGs are Districts.) The Districts also are well connected with the state's Small Business Development Center Network, whose offices are in community colleges throughout the state. The involvement of the EDDs with the State's Regional Strategies Program, the Extension Service, and other groups offering leadership development and services to targeted sectors is less evident.

Washington

Jay Bush
Economic Development Representative
EDA
915 Second Avenue
Seattle, WA 98174
206-442-4742

Washington's six Economic Development Districts serve twelve of the state's thirty-nine counties. Here, the state's own regional structure, embodied in Team Washington and the Associate Development Organizations (ADOs), has much to do with the particular role played by the Districts. ADOs, which cover the entire state, have become the state's most prominent organizations for regional service delivery. Four of the EDA districts, including the more sparsely populated areas of the state, merge the roles of ADO and EDD. These play a relatively comprehensive role in making community and economic development assistance accessible to business and community leaders. Other EDDs that are not ADOs appear to have more specialized functions, such as public works planning, small business counseling, or industrial recruitment, that they provide in close coordination with the ADOs. One of the Districts, the KiYak EDD, plays a different sort of dual role—as Resource Conservation and Development Area—that gives its services additional focus on natural resource development and conservation measures.

Alaska

Alaska Regional Development
Organization Program
Terry Miller
Division of Business Development
P.O. Box 110804
Juneau, AK 99811-0804
907-465-2017

Kenai Peninsula Borough EDD, Inc.
Mike Tagliaveto, Executive Director
110 Willow Street
Kenai, AK 99611
907-283-3335

Idaho

Panhandle Area Council
Jim Deffenbaugh, Executive Director
11100 Airport Drive
Hayden, ID 83835
208-772-0584

Clearwater EDD, Inc.
Dale Miller, Executive Director
1626 B. Sixth Avenue N
Lewiston, ID 83501
208-746-0015

Ida-Ore Planning and Development
Association, Inc.
Phil Choate, Executive Director
P.O. Box 311
Weiser, ID 83672
208-332-7033

Region IV Development Association,
Joe Herring, Executive Director
P.O. Box 1844
Falls, ID 83303
208-734-6586

Southeast Idaho Council of
Governments (SEICOG)
Scott McDonald, Executive Director
Business and Technology Center
1651 Alvin Ricken Drive
Pocatello, ID 83201
208-233-4032

East-Central Idaho Planning and
Development Association, Inc.
Jeff Summers, Executive Director
P.O. Box 330
Rexburg, ID 83440
208-356-4524

Montana

Bearpaw Development Corporation
Tony Priete, Executive Director
P.O. Box 1549
Havre, MT 59501
406-265-9226

Oregon

East Central Oregon Association of
Counties
Otto Schmidt, Executive Director
P.O. Box 1207
Pendleton, OR 97801
503-276-6732

CCD Business Development
Corporation
Peter L. Graff, Executive Director
744 SE Rose Street
Roseburg, OR 97470
503-672-6728

Central Oregon Intergovernmental
Council
Denny Newell, Executive Director
P.O. Box 575
Redmond, OR 97756
503-548-8163

Ida-Ore Planning and Development
Association, Inc.
Phil Choate, Executive Director
P.O. Box 311
Weiser, ID 83672
208-332-7033

Mid-Columbia EDD
Betty J. Mills, Executive Director
502 East 5th, Annex B
The Dalles, OR 97058
503-296-2266

Mid-Willamette Valley EDD
105 High Street
Salem, OR 97301
503-588-6177

Cascades West EDD
Cynthia Solie, Acting Program Manager
408 SW Monroe
Corvallis, OR 97333
503-757-6851

Washington

Central Puget Sound Economic
Development District
Bill Mahan, Executive Director
219 First Avenue S, Suite 305
Seattle, WA 98104
206-623-2744

TRICO Economic Development District
Brent Grenning, Executive Director
347 West 2nd, Suite A
Colville, WA 99114
509-684-4571

KiYak EDD
Matt Brady, Director
Room 30 County Courthouse
Yakima, WA 98901
509-575-2932

Big Bend Council and EDD
Mike Conley, Acting Director
P.O. Box 10
Ephrata, WA 98823
509-754-2125

Benton Franklin Governmental
Conference
Donald Morton, Executive Director
P.O. Box 217
Richland, WA 99352
509-943-9185

Peninsula Development Association
Bart Phillips, Director
P.O. Box 877
Port Angeles, WA 98368
206-385-6767

Palouse Economic Development Council
Mary McBride, Director
P.O. Box 953
Pomeroy, WA 99347
509-843-1104

Figure 3.3
EDA Districts in the Northwest
States

Community Resource Development Programs of the Cooperative Extension Service

Targeting. *Federal, state and county Extension offices make program decisions independently. The result is that Extension's programs in an area can be either intensively focused or very diverse, depending on the match between federal, state, and county decisions. Increasingly, the programs target issues of key importance and have tougher, outcome-based standards for their successes*

Achieving Scale. *Extension programs traditionally deliver workshops and demonstrations, printed information, and consultations to a large number of people. Where issues are targeted the Extension team devoted to a targeted project may include Extension specialists with detailed subject knowledge, sub-state area specialists, county staff, local representatives, non-Extension public service institutions, and staff of related agencies.*

Costs and requirements. *Extension services are primarily educational and free to users on a "voluntary" basis. User criteria and prequalification steps are rare. As a result the burden of action is wholly on the user. The Extension Service informs and facilitates activities, but rarely instigates them or carries them forward.*

The Cooperative Extension Service is the educational arm of the U.S. Department of Agriculture, the primary public service unit of the land-grant universities, and a part of county government. Extension offices operate relatively independently at the federal, state and county levels, relying on cooperation between units to assist people who are not enrolled in the universities. The assistance provided is most often educational. Its most visible efforts have traditionally been reflected in three programs: agricultural production, home economics, and 4-H and youth activities.

Over the 78-year life of the program, leaders at the federal, state, and county levels have balanced sometimes conflicting dual goals. One is to be client-focused—to bring the benefits of university research and education to farms and farm families. The other is to be issue-flexible—to respond to the educational needs of users, wherever or whomever they may be.

As agrarian economies have changed over time, this flexible focus has spawned a fourth program area—community resource development. Services have been established that reach well beyond the farm household to serve the community and business base as well. New services have emphasized production and marketing of non-agricultural goods, small business development, community decision making, dispute resolution, enterprise development, historic preservation, and economic and social analysis.

Community resource development (CRD) programs include all Cooperative Extension efforts that require group or community decisions or actions, or that deal with business matters not directly related to the production of food and fiber. Unlike agriculture, family, and youth services programs, no predominant model for staffing or operation exists among CRD programs. Given the diversity of services that fall under this category, it comes as no surprise that the systems operate differently. Such states as Wisconsin, Iowa, and Missouri, have extensive and well integrated community development programs.

Wisconsin's CRD effort began in 1961 with a charge to maintain Extension's strong work in agriculture while bringing about a more comprehensive program for the state's rural people. By 1988, 57 county offices (80 percent of the total) had community resource development agents on staff, backed by eight regional business specialists and thirty-eight full-time, university-based specialists. University Extension staff specialties include recreation and tourism, economic development, small business, rural leadership, local government, water resources, waste management, and environmental education. A community economic analysis program has been established in the last decade, and has been taken as the model for similar efforts in several other states.⁸

Among the Northwest states, only Washington's CRD program approaches the size and diversity of Wisconsin's program, and even in Washington this represents mainly a commitment to community services at the state program level. In none of the Northwest states are county-level staff dedicated to CRD programming found as commonly as they are in Wisconsin. While some counties are very active in community development, more typically, county agents with other core specialties devote a portion of their time to CRD programming, or several counties will operate a CRD program collectively.

New Trends

Within Extension CRD programs today, three trends are apparent. First, issues programming, is displacing the more traditional disciplinary programming in many state programs. *Disciplinary programming* makes staffing and facility investments conform to traditional program areas, resources, and client bases (e.g., farms, farm families, and rural youth). *Issues programming* emphasizes matters of wide public concern based on their fit with Extension's broader mission, its capacity to help, and its potential to complement the efforts of other organizations. Once key problems are identified, issues programming shapes available tools, delivery methods, and resources to provide the needed aid.⁹

One important implication of issues programming is that traditional measures of effectiveness are replaced with measures that are outcome sensitive. Rather than counting workshops, publications, and training services provided, new efforts track such indicators as the number of communities implementing a strategic plan (e.g., community leadership), or the number of youth-at-risk (e.g., teenage pregnancies). Today, Extension leaders are being encouraged by cooperating agencies at the federal level to think in terms of base and issues programs, and to allocate staff between them.

But, it is well to remember, the relationship is cooperative: Extension System offices make many of their own program decisions independently at the state and county levels. Since these offices are not required to implement federal policies, the federal offices must rely largely on persuasion and the quality of their own supporting materials to shape the look of the national system. A shift to issues programming remains to be seen in many state and local offices.

Among the Northwest states, Alaska, Oregon, and Washington Extension Systems are pursuing issues programming most aggressively. In the process, program managers are assembling multidisciplinary teams that integrate the skills of community development specialists into the fabric of well-established programs concerning farm, family, and youth. For instance, on-farm business diversification and value added projects, meeting facilitation and conflict resolution services, and planning assistance for public facilities may all be seen as community services within the Extension's other program areas. Also, partnerships with colleges and state agencies outside of the Extension system are becoming a more common ingredient of CRD programs.

A second trend is the rise of regionalism as a development technique. Regional specialists, or area agents, shared by several counties are adding specialized capacity to county programs in every state. Their use responds to another reality: many local problems have regional solutions. Program topics that accentuate connections and commonalities between communities are receiving new attention. Programs are recognizing and building upon rural-urban links, to enhance the local benefits rural communities get from their economic ties to nearby metropolitan areas.¹⁰ Multi-community strategic alliances are also seen as promising. A recent edition of the North Central Rural Development Center's *Rural Development News* was devoted entirely to reporting on multi-community collaboration as

a way to expand capacity, attract public and private investment, and undertake activities that community groups cannot achieve individually.¹¹

Third, funding sources are shifting. In recent years, general support from the federal government has gradually declined. Where it has expanded, new federal funds are predominantly earmarked for project-specific purposes. As a consequence, states have become an increasingly significant source of general support for Extension programming (Figure 3.4).

Figure 3.4
Northwest States' Extension Budget
Sources and Community Resource
Development Staff, 1991

As reported by Extension administrative staff in each of the states.

	Alaska*	Idaho	Montana	Oregon	Washington
Federal	27%	26%	32%	16%	19%
State	73%	57%	31%	48%	47%
County	0%	16%	30%	17%	25%
Other	0%	1%	7%	19%	9%
Total					
Budget	\$3,900,000	\$11,156,492	\$9,780,000	\$29,042,000	\$23,038,478
State CRD					
Specialists	4.2	1	1	6	26

**It is difficult to compare Alaska's funding sources and staffing figures to other states, since its borough system is not comparable to the county level of government. Here, the state assumes responsibility for funding and program administration of the thirteen regional offices. The staffing figures given reflect Extension staff dedicated to CRD in both the state and regional offices.*

Services and Facilities

Cooperative Extension Services are primarily educational and facilitative in nature. Extension often plays four roles in advancing particular community development issues:¹²

- Providing perspective on the issues
- Increasing the knowledge base for decisions
- Developing the skills necessary to achieve selected goals
- Helping to shape the formal and informal decision making institutions

Specialized services often reach individuals and community groups in the form of workshops or seminars, individual counseling and consultations, newsletters, and printed materials. State specialists also serve communities indirectly, through training given to county agents. Some CRD specialists use demonstrations to teach innovations in practice and technology; but, though the method of learning-by-doing is time honored in more traditional Extension activities, remarkably few seem to apply this tool in the newer area of community resource development. Programs offered by Extension CRD vary considerably from state to state and county to county. They include:¹³

- *Economic and social analysis.* Studies of the local area may chart changing business, income, poverty, and other economic and demographic characteristics.
- *Business management.* Small business training and counseling may be provided directly to enterprises that are forming or expanding. Specialists may concentrate on a particular area, such as food or wood processing, home-based business formation, tourism, or land-use conflict resolution.
- *Business retention and expansion.* Assistance may concentrate on helping communities set up and run programs that improve the local business climate. This often entails development of support networks involving local businesses, government, and non-profit leaders.
- *Community surveys, strategic, and public facilities planning.* Local agents and specialists may provide examples and support needed to devise local surveys, analyze them, and present them to the community. Some survey specialists concentrate on community strategic planning, assessing local needs and facilitating development of local economic development activities. Others give special attention to helping businesses assess their options and develop business plans.
- *Market studies.* Specialists may provide contacts and expertise needed to assess regional or national markets for a particular good or service. Many offer help in analyzing local trade areas or assessing distant markets.
- *Downtown appearance and historic preservation.* Agents and specialists may conduct workshops and make available materials to help improve Main Street through clean-up and restoration. They may also help identify programs and processes for the preservation of buildings and other features of historical value.
- *Worker training and employment.* Workshops and individual counseling may be available to assist both individuals and employers in training and job placement.

Western Rural Development Center

*Russell Youmans, Director
Western Rural Development Center
Oregon State University
Corvallis, OR 97331-3607
503-737-3621*

The Western Rural Development Center advances public policy education and leadership on community resource development topics in 13 Western states and three Pacific island territories. Work of the Center is loosely structured around three issues: (1) community economics, (2) local government and organizational development, and (3) natural resources. The total 1992 budget of \$280,000 comes mainly from two federal sources: the Extension Service, and the USDA Cooperative Research Program. The contribution of participating states is in the form of professional staff time donated to directing the Center, conducting research, and developing products for region-wide use. In turn, state and county Extension offices are the primary users of the Center's programs and materials. Examples of products include such publications as: *Getting Down to Business*, *Hard Times - Communities in Transition*, and *Coping With Growth*. The Center is one of four such regional CRD programs around the country established by USDA in 1971. Others are located in the South, Midwest, and Northeast.

Alaska

*Anthony T. Nakazawa
Cooperative Extension Service
University of Alaska
2221 East Northern Lights #132
Anchorage, AK 99508-4143
907-276-2433*

Because Alaska's borough system is not comparable to the county level of government (which normally controls about two-thirds of Extension funding resources), the cooperative relationship between state and local Extension efforts is unlike that found in most other states. The state's thirteen regional offices are governed by state regulators. One result is that relatively more staff time is formally designated to community assistance activities than in many states. There are five full-time community development professionals from the state's total complement of thirty professional staff.

Alaska is one of two Northwest states (with Washington) whose current workplan reflects a distinct shift to issues programming. The program is encouraging partnerships with non-Extension groups needed to provide intensive focus on targeted activities, and programming that highlights the intersection of community and natural resource development with other agriculture, family, and youth activities. One recent instance is a youth-oriented fisheries enhancement initiative, which is being conducted in partnership with the state Fish and Game Department, village leaders, and a native chiefs in the state. Issue areas designated in the 1992-1996 plan include strategic planning, energy conservation, and tourism development.

Idaho

Idaho's state Community Resource Development program supports two half-time Extension professionals with expertise in rural sociology and agricultural economics. The small staff routinely works in concert with other Extension, state, and local efforts on a wide variety of activities. For instance, CRD staff have assisted community-level economic analyses for communities involved in the state's Gem Communities program. A series of home-based business workshops has been offered that has helped rural people establish micro-enterprises, achieving notable success among rural-based child and geriatric day care services, and food products firms. Telecommunications satellite downlinks in 16 of the 42 county offices provide a resource that is being used increasingly to offer Extension workshops originating in locations around the state and nation to many rural locations.

*Neil Meyer
Idaho Extension
University of Idaho
Moscow, ID 83843
208-885-5883*

Montana

Though it has only one state CRD professional, Montana's CRD program has been touted as among the most active small programs in the country.¹⁴ There are several clues to the program's apparent success in delivering a wide variety of basic community development programs. For one thing, the amount of time devoted by county agents to community development is relatively high. This staffing commitment enables presentation of several workshop series, including one for new and forming small businesses; and another for community economic development leaders. Through the Western Rural Development Center, Montana has collaborated with other state programs in devising new community development tools, and in actively applying them in communities around the state. Initiatives include programs for business expansion and retention, attracting retirees to rural communities, and enhancing cross-cultural communication program in tribal groups.

The Montana CRD effort also finds partners within the state. Among the many collaborative activities is the creation of the Montana Economic Development Coalition, formed by several state, federal, and private sector partners. Finally, CRD applies to community development a time-honored technique used by Extension farm, family, and 4-H programs—learning-by-doing and demonstration. Demonstration, or "model programs," include a tourism development project in one community, and a Main Street revitalization and design effort in another.

*Dave Sharpe
University Extension
Montana State University
Bozeman, MT 59717
406-994-2962*

Oregon

Tom Zinn
Cooperative Extension
Oregon State University
Corvallis, OR 97331-3607
503-737-3621

Oregon's Community Resource Development efforts involve six specialists concentrating on community economic analysis, community economic development, family problems in distressed rural communities, land use planning, and leadership development. In this state, the integration of CRD activities into the work of program staff in agriculture, family, and youth programs is particularly apparent. For instance, home economists are delving into leadership development, establishing networks of home-based businesses, and helping create community-based geriatric services. Range management specialists are finding conflict resolution skills critical to addressing land use conflicts. Youth program leaders are addressing education, teen pregnancy, and youth-at-risk; all problems that suggest community solutions.

Washington

Robert H. McDaniel
Cooperative Extension
Washington State University
411 Hulbert Hall
Pullman, WA 99164-6230
509-335-2937
Department of Agriculture, AD-BUI-3493

Twenty-six Extension faculty work in Washington's CRD programs. The large commitment of staff dedicated to community development far exceeds other Northwest states, and makes Extension one of this state's premier regional resources for community economic development. Washington is one of three Northwest states (with Alaska and Oregon) that are taking a distinctively issues driven approach to programming and staffing decisions. (Issues programming deemphasizes the traditional program categories in favor of pursuing measurable outcomes in targeted problem areas.) Issues currently identified for intensive efforts include: community social and economic analysis, community leadership development, waste management, and environmental mediation.

Several community support programs are administered through the state Extension as partnerships with other, non-Extension groups. A Rural Information Center maintains a staffed community and economic development library and provides electronic access to peer federal information sources. The Partnership for Rural Improvement supports a team of community specialists at colleges and universities around the state, and makes them available to advise and support local initiatives. The Program for Local Government Education (PLGE) is conducted in concert with Washington's local government officials' associations. PLGE works intensively in selected rural communities to develop skills in issues such as conflict resolution, interlocal cooperation, goal setting, and growth planning. In these and other program areas, teams are assembled that merge topical and regional orientations to deliver services more powerfully than can specialists working independently.

Resource Conservation and Development Areas

Resource Conservation and Development Areas (RC&Ds) are sponsored by the Soil Conservation Service of the U.S. Department of Agriculture to coordinate multi-county activities. These entities are supported organizationally by county governments, water conservation districts, city officials, tribal governments, councils of government, port authorities, businesses, and other local leadership groups. Member organizations make a relatively small dollar contribution annually, and in turn designate a person to represent them in RC&D committees. RC&Ds undertake a wide variety of multijurisdictional projects.

To understand how Resource Conservation and Development Areas work, it is useful to keep in mind why they were chartered in the first place. Streams, floods, wind, and weeds do not respect political boundaries. This regional approach was initiated to help local leaders coordinate their response to natural forces such as these. RC&Ds have historically worked most closely with federal Soil Conservation District managers and state departments of natural resources. In theory and practice, however, RC&Ds use whatever resources are available, to develop consensus on what should be done, and to shepherd tasks to completion.

In their classic form, RC&Ds have multi-county authority to pursue projects relating to conservation of soil and water. Common examples are noxious weed control, stream flow or erosion management, and forestry management services for non-industrial forest land holders—problems that require engineering and scientific expertise. Many RC&Ds are finding their coordinating role and their bottom-up approach to project management applicable to a broader range of problems: economic distress, waste management, and small business formation cross political bounds, too. Rather than focus solely on natural resource management, many measures now emphasize community, business, and human resource development. This shift is most apparent in Montana and Idaho, among the Northwest states, where community and small business development, tourism, recycling and solid waste programs, and development of senior citizen centers are noted among the action priorities.

Resource Conservation and Development Areas also differ from one place to another in the way they organize their working groups; some RC&Ds organize by counties, others by multi-county issues. Most areas in Washington, Oregon, and Idaho form county groups that recommend priority projects to region-wide governing committees. Here, the RC&Ds serve as a regional administrative entities for projects too large or complex to undertake locally. In Montana and Alaska, RC&Ds have organized regionally in committees addressing such issues as forestry, tourism, recycling and solid waste management, and small business development. These issues committees work relatively independently to pursue measures under the regional banner. The approach has helped make Montana's RC&Ds that state's most prominent regional force in rural development.

Services and Facilities

What do RC&D Coordinators coordinate? Sometimes they act as local administrative resources for major projects that involve many state and federal programs. One recent example of RC&D efforts in action is found in the extensive improvements made to the East End Mooring Basin moorage facilities by the Northwest Oregon RC&D. Here, Coordi-

Targeting. *RC&D areas bring a project orientation to conservation and development issues, focusing on regional "measures" that their members are unable to complete working alone. The slogan "getting things done" reflects its bottom-up mission.*

Achieving Scale. *The areas work through councils of existing leadership groups. Some RC&Ds organize themselves into county-wide committees and concentrate on project management, using the RC&D Area to coordinate resources of federal, state, and private agencies on locally identified measures. Others organize in issues groups that cross county lines, a form that enables a greater diversity of activities.*

Costs and Requirements. *Annual contributions by member organizations range from \$50 to \$500, with most paying about \$300. Member organizations nominate delegates to participate in planning, governing, and implementation of measures. They also commonly volunteer time from their local jurisdictions needed to undertake measures on a regional scale.*

nator David Dickens helped develop local consensus about where to focus more than \$6 million of federal funds allocated to improving moorage facilities in the region. The RC&D then played the role of local project administrator, seeing that different state and federal offices involved remained coordinated and on task.

Interviews with Northwest RC&D coordinators identified a broad range of activities. In the Northwest states, RC&Ds are active in agriculture, community development, economic development, forestry, land use planning, leadership development, local strategic assessment, marketing and product development for small, local manufacturers, noxious weeds, recreation, solid waste and recycling, tourism and recreation, water and fisheries, wildlife and big game.

Coordinators manage the joint efforts of local governments, tribes, ports, and other council members that "volunteer" local time from their own jurisdictions. Annual reports of such volunteer time are a reasonable measure of where the RC&Ds in the states are directing their energies. For instance, local engineering and project management expertise is helping create a bike path in one Idaho RC&D, and to create an integrated rural recycling program in one Montana RC&D. Figure 3.5 shows the hours spent by members toward regional measures.

Specific roles played by RC&D staff include:

- *Assessment, planning, and work plan development.* Assistance is provided to help develop ideas generated by members into work plans and launch them as measures.
- *Technical assistance for conservation and development.* Many RC&Ds have a small technical staff, specialized in key areas, such as agribusiness, or forestry. Consulting services are provided to support measures, and often draw additional technical expertise from other public and private agencies. Close ties with district, state, and federal soil conservationists are typical.
- *Coordination of multiple agencies and funding sources.* Staff support may be provided to help garner and direct the activities of multiple agencies in large, multi-jurisdictional projects.
- *Grant writing and funding assistance.* Many RC&Ds are skilled at identifying funding sources for a variety of grant and government assistance programs that fall within the purview of the strategic priorities. Some have access to significant grants libraries.

	Idaho	Montana	Oregon	Washington
Forestry	350	121	20	145
Economic development	0	252	300	73
Community improvement	20	538	0	50
Natural resource improvement	90	345	135	5
Water & water quality	390	225	311	1
Information & education	48	275	0	15
Recreation & tourism	60	100	45	45
Fish & wildlife	0	40	0	0
Other	0	70	0	0
Total hours volunteered	958	1966	811	334
Total funds for measures (000)	\$622	\$1,225	\$13,804	\$336

Figure 3.5
Northwest RC&D Councils'
Distribution of Work Hours in Issue
Catagories and Funding for
Measures Completed in 1991

U.S. Department of Agriculture, Resource Conservation and Development Annual Report, Fiscal Year 1991, February 1992.

The View from the Northwest States

Alaska

Alaska's single Resource Conservation and Development Area was formed in 1991, and has organized as a nonprofit corporation. This is unusual, in that it bypasses the typical council structure. Although the organization is young, it has been chartered by the state as an Alaska Regional Development Organization, and the group is focusing on economic revitalization activities. Committees are active in native community development, forestry, mining, water, and agriculture.

Hayes Dye
State Program Manager
201 East Ninth, Suite 300
Anchorage, AK 99501-3687
907-271-2424

*Tom Christensen
State Program Manager
3244 Elder Street, Room 124
Boise, ID 83705
208-334-1053*

Idaho

Idaho's goal is to establish RC&Ds that would match the state-wide coverage of Economic Development Districts by 1994. A state-wide RC&D Association has been proposed. In Idaho, more than any other state in the Northwest, Economic Development Districts and RC&Ds share jurisdictions. While RC&D coordinators are inclined to steer clear of business assistance and finance efforts—seen as the province of the state's EDDs—the RC&Ds have been significant players in natural resource conservation and development projects. Typical activities include streambed control, erosion and soil conservation, and forest management assistance for private woodland owners. Increasingly, the areas are undertaking specific community improvement efforts, and for these, the project orientation is characteristic of the focus on "measures" instead of "issues." Recent community development measures include creation of a senior citizens' center in one community and presentation of workshops promoting home based business development in several locations.

Montana

*Scott Hoag
State Program Manager
Federal Building, Room 443
10 East Babcock
Bozeman, MT 59715
406-587-6816*

More than any of the other Northwest states, Montana's Resource Conservation and Development Areas concentrate on community and economic development projects that are beyond the traditional bounds of soil and water conservation. Its broader role is most obviously attributable to the absence of any other prominent regional development entity in the state; the program is attempting to close a substantial gap. RC&Ds in Montana are organized differently from most of their peers. Instead of working primarily in county-by-county groups, Montana RC&Ds work in regional councils that deal, issue-by-issue, with things like tourism, marketing for high value products, rural recycling, environmental quality, and small business development. Moreover, these multi-county issues committees work independently from one another, raising their own funds and reporting directly to boards of directors for the non-profit RC&D entities. The result is an organizational form that helps RC&Ds act like incubators for regional initiatives.

Also unusual among states is the presence of a full-time state-wide coordinator. Typically, the state programs are operated as one function of the federal or state soil conservation offices. Montana's statewide coordinator is supported through a partnership between state and federal agencies. The role enables assistance to be provided in the formation of new Areas. The office encourages state-wide initiatives, where they are more sensible than sub-state regions. As one instance, the state coordinator manages one of the most complete grants libraries in the area.

Oregon

Oregon's three Resource Conservation and Development Areas have concentrated on providing local administration of major state and federal projects. Members include county governments, soil and water conservation districts, and port commissions. Each RC&D organizes its members in county groups that consider program priorities in five basic areas: water, economic development, soil, forestry, and land use. Program recommendations are made by these county groups to the regional executive committee. Completion of a major moorage improvement in Northwest Oregon is representative of the success of these programs. The project involved the coordination of a major Corps of Engineers project with other federal funds, also involving substantial cooperation from state and local groups.

*Vaughn Brown
State Program Manager
Federal Building, Room 1640
1220 SW Third Ave.
Portland, OR 97204*

Washington

Washington is host to two RC&Ds, and a third area reaches into the state from its base in Idaho. All three involve a wide range of stakeholders and integrate their efforts with other development entities. Kittitas-Yakima couples EDA district certification with RC&D designation, something only one other Northwest RC&D—Montana's Headwaters RC&D—has done. Committees pursue economic development issues that include production of laminated wood products, marketing of value added wood products, and recreation and tourism. The Columbia-Pacific RC&D is undertaking a measure to develop floral, medicinal, craft, food, and other non-wood products from the area's standing forest land.

*Paul Taylor
State Program Manager
Room 360, U.S. Court House
West 920 Riverside Dr.
Spokane, WA 99201*

Alaska

Mat-Su RC&D
Calvin Steele, Coordinator
c/o Wasilla City Hall
290 East Herning
Wasilla, AK 99687
907-373-1063

Idaho

Idaho-Washington RC&D
Gerald Johnson, Coordinator
Building B., Suite 102
1620-B Northwest Blvd.
Coeur d'Alene, ID 83814
208-765-8553

Wood River RC&D
Lewis Pence, Coordinator
131 Third Avenue E
Gooding, ID 83330
208-934-4149

Clearwater RC&D
Daniel Pearce, Coordinator
P.O. Box 9576
Moscow, ID 83843
208-882-2411

High Country RC&D
Steve Smart, Coordinator
263-1/2 East Fourth Ave. N
Rexburg, ID 83440
208-356-5213

Bear River RC&D
Kent Hortin, Coordinator
1260 North 200 East, Ste. 4
Logan, UT 84321
801-753-3871

West Central Highlands RC&D
Russell Marwaring
1101 South Washington
Emmett, ID 83617
208-365-447

Montana

Ted Dodge
State RC&D Coordinator
Federal Building, Room 443
10 East Babcock
Bozeman, MT 59715
406-587-6965

Conservation Districts Bureau
Steve Schmitz, Bureau Chief
Montana Department of Natural
Resources and Conservation
1520 East Sixth Street
Helena, MT 59620
406-444-6667

Headwaters RC&D
Judy Tilman, Coordinator
305 West Mercury, Suite 211
Butte, MT 59701
406-782-7333

Beartooth RC&D
Bob Tribelhorn, Coordinator
Drawer J
Joliet, MT 59041
406-962-3641

Bitter Root RC&D
Kit Southerland, Coordinator
1709 North First
Hamilton, MT 59804
406-363-5450

Central Montana RC&D
Monty Sealey, Coordinator
P.O. Box 656
Roundup, MT 59072
406-323-2755

Eastern Montana RC&D
Alice Kuehn, Coordinator
P.O. Box 338
Ekalaka, MT 59324
406-775-8731

Oregon

Columbia-Blue Mountain RC&D
Carl Niederwefer, Coordinator
17 SW Frazer, Suite 40
Pendleton, OR 97801
503-278-3811, ext 431

Cascade Pacific RC&D
Karen Strohmeier, Coordinator
155 SW Madison, Suite 10
Corvallis, OR 97333
503-757-4807

Northwest Oregon RC&D
David Dickens, Coordinator
801 Gales Creek Road
Forest Grove, OR 97116
503-359-4761

Washington

Columbia-Pacific RC&D
Jim Walls, Coordinator
2109 Summer Avenue, Suite 202
Aberdeen, WA 98520
206-533-4648

Yakima-Kittitas RC&D
Mike Brady, Coordinator
513 North Front Street
Yakima, WA 98001-2378
509-575-5865

Figure 3.6
RC&D Districts in the Northwest
States

State Services for Community Capacity Building

In the program, communities had the latitude to design their loan and business technical assistance program using existing resources. Two lessons became clear. First, business technical assistance is what guarantees the success of the program. It is the most expensive piece of the program and it does not pay for itself through its users. Second, business technical assistance will follow targeted lending. When capital is available the providers begin to modify their programming.

—Capital Opportunities,
Program Information, 1991.

Some state capacity building programs, such as Associate Development Organizations of the Washington Department of Trade and Economic Development, follow the federal model: they set up field offices, which then obtain and administer resources for their service areas. The state capacity building programs highlighted in this section, however, are more process-oriented. They concentrate not on creating field operations, but on helping local groups to develop a long-term, strategic management capacity. In addition to receiving training and technical support, clients that demonstrate their ability get greater latitude in tailoring existing state programs to their needs.

The Cycle of State Strategic Assistance

Virtually all of the programs included here can be described in terms of a cycle of related strategic management tasks. Clients first form an action group. The group then assesses the situation, identifies possible action options, and prepares an action plan. Outside resources, in the form of technical and financial services, are identified and absorbed, enabling the plan to be implemented. At some point, the results of these initiatives are assessed, and the identification of options (e.g., considering whether to continue with existing efforts, begin new initiatives, or both) begins anew. Along the way, help is provided in the form of training and technical assistance, counseling, and facilitation. Groups receive rewards, in the form of financing, highly specialized assistance, or help in getting financing and/or assistance, as they reach various levels of accomplishment.

Organizing and training. A broad-based group is identified within the community, whose members commit to working together over several months. The group receives training and consultations regarding the local situation and prospects, problems, and action options.

Research and action planning. The working group prepares a local profile and drafts strategic plans. Typically, a situation assessment is prepared, and a survey or public forum is conducted to determine local preferences about the path of local economic development. Strategic (long term) and short term action plans are then drafted. These plans are presented (to the agency and/or the wider community) for discussion and refinement. Communities get technical expertise and general facilitation assistance at this stage in the form of private consultants, agency, or university technical services.

Implementation. As particular economic strategies are identified, assistance concentrates on specialized briefings and help in identifying and assessing opportunities that match the strategy. Existing technical and financial resources are identified, and program staff help coordinate their delivery. In some cases, direct funding is provided to enable forceful implementation steps to be taken. In others, financial aid concentrates on

identifying sources of funds as they become available and assisting in the process of planning and preparing requests for funds. This intensive phase of implementation assistance is temporary.

Program liaison. As implementation proceeds, program staff often continue to serve as a pipeline, linking the community to a wide variety of funding sources and technical assistance programs. As locally-driven efforts establish a track record of success, special assistance becomes less and less necessary.

Few state services run the entire course of this strategic management cycle. Many concentrate only on the early phases of situation assessment and plan development. Others help fund and facilitate the implementation stages.

How do State Programs Differ?

Although this general description may make the states' capacity building programs seem very similar, they are not. It should be no surprise that staff and budget size greatly influence how far, and wide, a program can reach. Well-funded programs can serve more places, provide more services, and be more liberal with their rewards.

But the differences run deeper. For some states, building capacity principally means providing technical assistance in a series of distinct phases. Other programs emphasize assistance, in the form of dollars, to support implementation of strategically sound activities; here, less attention is paid to coaching and counseling.

Programs highlighting technical assistance:

- Alaska Regional Development Organizations
- Idaho Gem Cities
- Montana Certified Communities
- Oregon Rural Development Initiatives, Inc.
- Washington Revitalization Strategies Unit

Programs highlighting financial assistance:

- Alaska Rural Economic Development Initiative
- Idaho Gem Communities
- Montana Capital Opportunities
- Oregon Regional Strategies
- Washington Development Grants Unit

No matter how financially well-endowed programs are, there are natural limits to the total help they can provide. State programs balance at least three worthy objectives: (1) to reach as many communities as possible, (2) to offer help intensive enough to make a difference for those places that are served, and (3) to recognize and reward progress in ways appropriate to each place.

Comparing State Programs: Trends and Practices

How state services balance these objectives, and how this balance is shifting, provide useful clues to comparing and evaluating the programs. Several subjects are particularly worthy of notice for practitioners comparing different state programs or tracking changes over time.

Rewards for progress. Community groups which have little to manage in the first place can only benefit so much by managing it better. While improved management capacity should surely generate its own benefits in communities, other rewards remain important incentives for

smaller places. In many cases, states are seeking new ways to back up their words with deeds, granting more money and program latitude to rural groups showing they can use it (Figure 3.7).

All states define progress and reward it differently, and the rewards may be the single best indication of the fundamental aims of their sponsors. In Montana, for instance, "certified" communities gain first access to business relocation leads, as well as early notice when new technical and financial services become available. In Washington, distressed timber communities get extra assistance in shaping and packaging various state programs to fit their strategy.

More intensive and long-running assistance. Many programs have expanded the scope of their services to help their clients through a greater portion of the management cycle. Idaho's Gem Communities began as a series of briefings and training in preparation for strategic planning, with implementation grants provided to those who could complete an acceptable strategic plan. Now, more facilitation and technical support services help communities as they make the transition from planning into action. In Oregon, the Community Revitalization Initiatives program extends its technical assistance services well into the implementation stages. The state's Regional Strategies program, historically more concerned with funding implementation, has added staff to provide more assistance in the earlier planning stages, as well as later, when it is time to evaluate and reassess the efforts.

Greater selectiveness. Choosing to do more for clients often means serving fewer of them. Many state capacity building programs are refining their notions of who they should reach. Oregon's Rural Development Initiatives initiated its cycle of assistance first in distressed timber towns, then farming communities, then fishing villages. Idaho's Gem Communities program begins a new "class" every Fall, and aims to involve one community from each of six regions of the state. To obtain the services of Washington's Community Revitalization Team, local groups must often compete directly. Here, application processes seek an able and eager core of leadership that has demonstrated a commitment to sustained revitalization efforts.

More integration of state and local strategies. States that do have a formally defined economic development strategy are encouraging local groups to make their work consistent with state-wide goals. In Oregon, for instance, groups working under the Regional Strategies program must target their efforts within one of a dozen industrial sectors that have demonstrated competitive advantages in the state, consistent with *Oregon Shines*, a statewide strategy document. Multi-county regions are working to foster competitiveness in value added food and wood products, interstate tourism, environmental and advanced technologies sectors.

Figure 3.7 **Evaluating State Capacity Building Programs**

State Capacity building programs balance three objectives differently: (1) to serve many communities, (2) to provide intensive and tailored service, and (3) to reward continuing progress. Key questions in evaluating these objectives include:

Targeting: *What constitutes a community, in terms of size, economic distress, or industrial dependence? How do communities become eligible to participate? How are they selected to participate; must they first demonstrate some characteristic?*

Scale: *How intensive is the assistance; how many staff hours and what professional specialties are provided? How many communities are served? What is the duration of close involvement with clients? How does the program phase down and exit the community? What services are available on a continuing basis to successful communities?*

Costs and requirements: *What are results sought and what follow-up service is provided? What rewards are available to successful groups? What must local leaders must do to get these rewards?*

Perry Eaton, President and CEO
Community Enterprise Development
Corporation
1577 C Street Plaza, Suite 200
Anchorage, AK 99501
907-274-5400

Targeting. CEDC targets its activities to Native Alaskans throughout the state. Services concentrate on developing viable small enterprises and capturing the benefits of commerce in the rural Alaskan villages.

Achieving scale. CEDC is unusual among community development groups in the enormous success of its commercial enterprises. The profitability of its grocery stores, merchandise distribution, and commercial real estate enterprises has helped generate the capacity to undertake ambitious community development measures. Moreover, its ability to deliver community, finance, and business advising services to remote sections of the state have led to contracts from state and federal agencies in addition to some private sector services.

Costs and requirements. Client responsibilities vary from program to program.

Alaska Community Enterprise Development Corporation

Alaska's Community Enterprise Development Corporation offers technical assistance, loans, and investments that strengthen Native Alaskan communities. CEDC is a major player in the state, both as non-profit provider of economic development services for native Alaskan villages, councils, and enterprises, and as a profit-making company. In its non-profit capacity, it provides financial and technical assistance, and is noted among the nation's most successful Community Development Corporations. Its for-profit arm is the ninth largest Alaskan-owned company in the state, operating general stores in many smaller communities and a merchandise distribution company. CEDC lists assets of over \$37 million and revenues of more than \$71 million in 1990.

Minority Enterprise Development Center. CEDC works state-wide to provide basic technical assistance to small, minority-owned businesses. The center works operates like a Small Business Development Center, providing training and management counsel to newly forming businesses. Unlike many SBDCs, this program travels extensively to provide services on location to many of its clients. Its counselors serve all types of firms, but have specialized expertise in such sectors such as tourism, construction, and retail trade.

CEDC Loan Program. The corporation maintains its funds and makes loans in rural areas where conventional banks are often reluctant to lend. The program links loans to technical business assistance as one way of improving the chances of business survival. The program operates a branch of the National Cooperative Bank, a San Francisco-based bank whose charter allows it to make loans only to cooperatives. CEDC's program has helped make over \$30 million in loans through the NCB, ten percent of the bank's lending nation-wide.

Bush Development Fund. CEDC makes small cash grants to non-profit members of the CEDC. The program seeks innovative proposals from local, regional, and tribal groups to enhance community economic vitality. Proposals are selected for funding by an independent panel. The fund also makes college scholarships to Native Alaskan high school students.

Alaska Village Tours. CEDC offers planning and technical assistance to help rural communities participate in the state's rapidly growing tourism sector. The group assists communities and businesses in planning and implementing travel-related business development strategies, with particular emphasis on product development and marketing.

Alaska Rural Investments. CEDC's for-profit arm invests in commercial real estate and operates two subsidiaries, the Alaska Commercial Company (a grocery store chain) and Frontier Expeditors (a wholesale merchandise distribution firm).

Idaho Gem Communities Program

The Gem Communities program supports community-based, strategic economic development initiatives. Under the program, a lead organization must be selected, and a working group with members from throughout the community formed. A series of intensive training sessions sponsored by the Department of Commerce develops themes of community organization, assessment, infrastructure improvement, business retention and expansion, and diversification. Program training is given, in large part, by staff of universities and colleges around the state.

Following training, facilitation assistance is provided during the strategic planning process. Communities are required to produce several items, and typically take about nine months to do so:

- An organizational plan
- A long-term strategic plan that includes sections on infrastructure improvement, business retention and expansion, and economic diversification
- A short-term plan that identifies priorities for action in these areas
- A profile of the community, its people, and its economy

The Idaho Department of Commerce's strategic plan recognizes that the challenges facing smaller communities are distinct from those of larger communities. Now, for the first time, economic development programs are being implemented with distinct tracks for rural communities and more populous areas. Plans call for rural development efforts focusing on (1) higher value added industry in the natural resource sectors, (2) rural tourism and recreation sectors, and (3) new businesses. The Gem Communities program is a chief vehicle for leadership, education, and information to rural places. Among the other program directions that pertain particularly to rural areas are:

- The addition of regional staff specialists and interdivisional teams to work with communities and businesses in each area of the state.
- An Idaho Business Network Program, which enhances the flow of information about markets for products and services between businesses in the state.
- A leading role for the department in identifying and utilizing resources and technological advances developed by the Idaho National Engineering Laboratory, the universities, agencies, and businesses.

Greg Seibert
Gem Communities Program
Department of Commerce
Second Floor, Hall of Mirrors
Boise, ID 83720
208-334-2470

Targeting. *Communities may be any area within a county that includes an incorporated town. In recent practice, only six communities have the chance to complete the process each year, and efforts are made to distribute slots to communities that demonstrate substantial local commitment to community economic development in each of the state's planning districts. By limiting the number of communities served, the program hopes to make training and facilitation more intensive throughout the process. To date, 46 communities have been certified.*

Achieving scale. *Interagency relationships between the department and the university system enable services to achieve a tailored quality. Much of the training and coaching communities receive is contracted to colleges and universities around the state.*

Costs and requirements. *Most rewards and incentives require communities to complete an acceptable strategic plan and a short-term action plan. Following completion and approval of the required steps, communities receive a \$10,000 implementation grant, and "free" scoring points in their application for state grants for infrastructure and economic development.*

Montana's Certified Communities Program

Jerry Tavegia
Department of Commerce
1424 Eleventh Street
Helena, MT 59612
406-444-3923

Targeting. *Towns, counties, reservations, and clusters of communities are eligible to participate; multi-county areas are excluded. The program is best suited to those communities that have significant business development potential, but that need basic help in putting together a response team.*

Achieving scale. *To date, 46 communities have been "certified" under the program. The program is run by one staff professional, with support from other programs within the department.*

Costs and requirements. *Although there are no specific requirements controlling eligibility, communities must be reasonably able to complete the program and benefit from its outcomes. Completing the requirements requires a commitment of about 300 to 500 hours by local citizens; most communities take less than one year. The benefits of certification include priority referral of business inquiries, and early notice of new grants and other opportunities that come to the attention of the Department of Commerce.*

Montana's community certification program concentrates on creating in communities an understanding of their prospects, and helping them establish an effective community-based economic development response team. The overall goal of this program is to establish an active network of capable local development organizations in the state. Recently, funding uncertainties have sharply restricted certification of additional communities. The program's one staffer continues to provide a bridge between past program participants and the Department of Commerce.

Program staff identify and work with a single development entity within the community, which is designated the "lead" in implementing the program. During the certification process, communities receive twenty hours of intensive instruction in the fundamentals of business retention, business expansion and market development, business development, and recruitment. Final certification is granted only after an evaluation that involves a simulated site visit by a prospective business investor. Along the way, candidate communities must:

- Develop a local economic information center.
- Prepare a statistical profile of the community.
- Inventory and catalog vacant buildings and commercial property.
- Identify all existing businesses.
- Construct and administer to residents an attitude survey on business development.
- Develop promotional materials for business location inquiries.
- Develop a one year strategic plan, and a five year plan, each with specified objectives, deadlines, and responsible parties.

The steps are designed to give participants working experience with Department of Commerce programs for marketing, finance, recruitment, small business development, federal contracting, and social and economic information tracking.

Also of interest to smaller communities is the department's microbusiness financing program. This program works through lending pools operated by local and regional development groups around the state, such as the Women's Economic Development Group and Capital Opportunities. Through financing and technical assistance, organizations like these make a substantial contribution to rural economic development in the state.

Montana's Capital Opportunities

Capital Opportunities is a state-wide program supporting microbusiness formation and capitalization. The program was established in 1988 to strengthen local community enterprise development services, enhance lending services for microbusiness, and to improve the integrated delivery of human and business assistance. It operates under the aegis of the regional Community Action Agencies (known in the state as Human Resource Development Councils). The group has created five offices throughout the state, which work together to administer three microbusiness loan funds totalling over \$1,700,000.

Unlike many micro-business financing programs, Capital Opportunities does not provide counseling to client firms itself, but does require them to get such counseling. The effect of this strategy has been to generate substantial demand for basic business technical assistance services in their service areas. The organization provides matching loans for small businesses, but also supports development of community-based groups to review and make local loans. Three of the several services stand out.

Direct loans. Capital Opportunities makes loans directly to small businesses. Each of the three loan funds has different income restrictions and interest rates, with maximum loan sizes ranging from \$10,000 to \$20,000. Unlike many revolving loan funds, the group works with participating commercial lenders and Small Business Administration guarantee programs to package and refinance the loans. The effect of this is to replenish the funds available for lending.

Individual development accounts. Under a new program, Capital Opportunities will match investments by low income people in an interest earning instrument dedicated to a business being planned or already planned. The funds may be used by to finance a business venture; help pay for health insurance not covered by other programs; or for business technical assistance, such as accounting or legal services.

Support for local organizations. The group has a decentralized organization that funds and facilitates expansion and replication of its efforts in communities around the state. While client businesses are required to seek and utilize business technical assistance, Capital Opportunities does not provide this assistance. The organization believes, and its experience demonstrates, that when communities assemble the resources and demonstrate the capacity to manage them, state and federal technical assistance providers will respond, in turn, by increasing their local presence. It works with local development groups, Small Business Development Centers, and other for-profit and nonprofit specialty assistance providers to coordinate the provision of lending, technical business assistance, and low income social services. Offices are located in Billings, Kalispell, Hamilton, Bozeman, and Lewistown; in addition, two Native American loan funds have been established.

Lynn Robson
Capital Opportunities
321 East Main St., Suite 300
Bozeman, MT 59715
406-587-4486

Targeting. *Services are designed to help very small, homegrown businesses, with particular attention to low income groups. The program aims to demonstrate that self-employment is a sound economic development option for low income people.*

Achieving scale. *The group has established several notable links with other programs. First, Capital Opportunities works with local groups, seeking to supplement existing development organizations instead of supplanting them. Second, the program works with commercial banks and SBA programs to recapitalize the loans and replenish its loan funds. Third, business counseling is handled by existing local and state programs. Finally, the program works through a well-established network of Community Action Agencies to coordinate business services with the delivery of other types of low income assistance, such as transportation, food stamps, Head Start, rent assistance, and other public assistance where they are needed.*

Costs and requirements. *There are income restrictions for most loan programs. Clients must participate in monthly business monitoring and pursue technical counseling as recommended.*

Oregon Rural Development Initiatives, Inc.

Lynn Youngbar, Executive Director
585 SW Sixth St.
Redmond, OR 97756
503-548-2013

Targeting. *The program works principally in resource dependent towns with populations over 500. Some towns go through the process together, either working as separate groups, or as a single, regional entity.*

Achieving scale. *During its three years of operation, the group has initiated its process in 63 communities. Where appropriate, nearby communities go through the process together, acting as a single entity for the sake of strategic planning and project development. RDI's shift from the state agency into the nonprofit world was intended to increase its client responsiveness, add program flexibility, and diversify its funding sources.*

Costs and requirements. *Services are free to the community in the early stages of strategy formulations. As client communities reach the implementation stage, they are expected to match the RDI contribution to staff and other expenses of the program. Assistance is given in fund raising, direct costs of implementation are borne by the communities themselves.*

Of all capacity building programs offered in the Northwest states, Rural Development Initiatives, Inc. (RDI) provides the most intensive and long-term strategic support to the communities it serves. Established in 1989 as a program of the Oregon Economic Development Department, RDI was spun off in 1992 as a non-profit corporation. The organization provides strategic assistance to non-metropolitan communities of over 500 which demonstrate substantial interest and leadership. The program concentrates particularly on rural communities undergoing structural economic change.

Assistance to client communities runs the full strategic management cycle, from organizing through implementation and reassessment. No direct funding is provided to communities, but the technical assistance benefits are substantial at every stage of the process.

SWOT assessment. A consulting team conducts an intensive assessment of the community's Strengths, Weaknesses, Opportunities, and Threats with the assistance of community members. (This technique of community situation analysis, the community "SWOT analysis," was first developed for the program by Youngbar and Jeff Luke of the University of Oregon. It has since been used in several other states.) This analysis results in a report identifying the main forces of change inside and outside the community and sketching action options. The decision to proceed is made by mutual agreement of RDI and community leaders.

Community Response Team. A group is formed that is broadly representative of community interests, including people who live outside of town limits and others not normally associated with economic development. The team may build upon the core of an already existing local development group. Members of this group commit to participating in training and meetings to develop a strategic plan. They may also figure heavily in its implementation.

Strategic planning. In a six to nine month process, a professional facilitator takes the CRT through a strategic economic development planning process. Once a draft of the plan is complete, it is presented to the greater community. The final plan should have the approval and support of the community.

Project implementation. Once the plan is complete, RDI provides technical assistance to the organizations with primary responsibility for implementing projects in the plan. Referrals to agencies and other sources that can provide more detail assistance are also common.

Grant writing, consensus building, feasibility studies. Community teams often need continuing technical assistance in getting resources, reaching agreement, or in examining the viability of a possible project or strategy. RDI works directly with community teams to see that these needs are met, either directly or through another organization.

Plan update. As new issues arise, strategic plans are updated and assistance provided in dealing with them. As with all capacity building programs, building working relationships between local people, state agencies, and private sector sources of help is an important element of the program. Throughout, the emphasis is on building the capacity of client communities to respond to substantial challenges on their own behalf, not simply to deliver services for them.

Leadership training. In a new program function, further intensive training is provided to selected leaders who have emerged from communities during strategic planning and implementation.

Oregon Regional Strategies Program

The Regional Strategies Program was established in 1987 as an ambitious and popular initiative to entrust local people with the resources they needed to act powerfully in the development of industries key to their economic future. The program finances industrially targeted initiatives by multi-county development groups. Currently funded projects target interstate tourism, forest products, agricultural products, high technology, environmental services, and fisheries (Figure 3.8).

The program is driven by principals that are unusual among capacity building programs. First the program reaches communities in every corner of the state. While most capacity building efforts serve selected communities, this program works directly with county and multi-county entities, which in turn can support many types of projects by businesses and local development organizations. Second, the regions must concentrate their efforts on a single targeted industry, selecting from among sectors that have been identified as competitive advantages in the state as a whole. Third, demonstrated results are expected within three to five years. Aggressive timelines are imposed that require a structured, action orientation by state and local agencies alike.

Because it is so unusual, the program's evolution seems noteworthy. In its first four years of operation (up to 1991), county-wide development groups and elected officials were encouraged to form multi-county regions that seemed workable to them. The regional groups were required to agree on a single targeted industry. Small grants were made and some technical support offered to enable development of project ideas into fundable proposals. Before the proposals were funded by the state, the regional groups presented their strategies and projects ideas to a departmental review team, which included industry technical specialists and representatives of all programs of the department. Division of funds among proposals from the regions considered population, per capita income, unemployment, and merit. All regions were funded. Grants to the regions ranged from \$251,000 to \$1,664,000; support for individual projects embodied in these grants ranged from \$6000 to \$1,190,000.

Lise Glancy, Manager
Oregon Economic Development Department
775 Summer St. NE
Salem, OR 97310
503-373-1200

Targeting. County and multi-county organizations must propose strategies targeted to one of several industrial sectors identified as competitive advantages for the state of Oregon. Included in the list of targeted industry sectors are forest products, agricultural products, high technology, primary and fabricated metals, fisheries, interstate tourism, film and video production, biotechnology, software, aerospace, plastics, and environmental services.

Achieving scale. The great bulk of funds — over \$57 million, between 1987 and 1993 — reach local communities, businesses, and development organizations directly, making this program by far the largest capacity building program in the Northwest.

Costs and requirements. Regional organizations must develop and implement projects on a rigorous time schedule. Regions that fail to meet early timelines can be disqualified. State program staff provide limited technical support help to regions as they develop, refine and implement their proposals.

	1987 - 1991		1991 - 1993	
	Regions	Counties	Regions	Counties
Interstate tourism	5	21	4	15
Agricultural products	4	6	3	8
Forest products	2	4	4	6
Environmental services	0	0	1	3
Technology transfer	3	4	0	0
High technology	0	0	3	3
Maritime trade	1	1	0	0
Fisheries	0	0	1	1
Totals	15	36	16	36

Figure 3.8
Industry Targets Selected by Local Groups Under Regional Strategies

In the current (1991-1993) biennium, the program has evolved substantially. Regions are encouraged to reevaluate their regional configurations and targeted strategies. This review was supported by economic analyses on the performance of various industry groups in the areas. In an effort to bring regional strategies in line with the state strategy, *Oregon Shines*, regions are required to select a single industry focus from among ten sectors which have demonstrated potential in the state. (Some have suggested that future adjustments to the program should relax the requirement that regions concentrate on a single industry. The reasoning is that some emerging sectors, such as aerospace, biotechnology, and plastics manufacturing, have potential for longer-term development, but lack scale needed to justify them as sole concentrations of the regional groups.) Rather than being driven by elected and appointed leaders in the regions, planning and decision making are shaped by committees that reflect the human, geographic, and economic diversity of the region. Before reaching decisions on targeted sectors and forming action plans, the regional boards are required to consult with firms in the targeted industry. Most significantly, more stringent timelines have been written into the law, requiring regions to meet a tough schedule in order even to be eligible to participate.

Washington Revitalization Strategies Unit

*Michele Brown, Unit Manager
Department of Community Development
Ninth and Columbia Building, GH-51
Olympia, WA 98504
206-753-2200*

The Revitalization Strategies Unit consists of seven programs that work with local groups in planning and implementation of a variety of revitalization strategies. All these are capacity building programs that provide direct technical assistance support to community groups to facilitate development and implementation of locally conceived projects. Three elements make the unit distinctive among state agency programs: (1) Washington has organized many of its community technical assistance services into one "unit" of the Department of Community Development, (2) the services are designed to work in smaller places, and (3) the services are targeted to distinctive types of problems — such as restructuring of the timber industry, or facing declining defense spending.

Community Revitalization Team. This is the unit's front line service for providing direct assistance in community strategic planning. Staff also help coordinate state services for local areas. A staff of technical assistants travel around the state to work with communities at their request to plan and carry out successful community economic development strategies. Services include technical assistance with project planning and implementation, training, and customized aid in identifying and accessing financial and other technical resources within state government.

Downtown Revitalization Program. Local revitalization initiatives often involve efforts to enhance and preserve both the attractiveness of the community and its ability to capture retail dollars. This service uses a four-point approach emphasizing promotions, good design, effective organization, and economic restructuring. It is based on the *Main Street* model developed by the National Trust for Historic Preservation. Unlike the federal model, however, the program is designed to be used by quite small towns, between 500 and 5000 in population. (*Main Street* is for towns of over 5000.) The program also has begun an urban component for neighborhood business districts. In another innovation on this design, three "tiers" of services (reflecting different levels of prior progress within

the Main Street model) enable aid under the program to be both better targeted and more specialized. The group also helps communities swap news and information about their efforts with their peers around the state and nation.

Employee Ownership Technical Assistance Program. Through this program, Washington has assisted some of the largest employee-ownership transactions in the country in the last four years. This unit emphasizes employee ownership as a viable way firms can enhance stability, improve productivity, and increase income captured by the community in the form of business income. Its services include technical assistance in the rationale and process of starting, buying, converting to, or managing an employee-owned firm; promoting use of the strategy; coordinating with public and private agencies; and working intensively with firms, especially in cases of retirement, divestiture or emergency closure, and where barriers to productivity and expansion exist.

Business Succession Project. Five thousand business owners will reach retirement age in Washington in the next five years. Estimates are that half or more of these have no plans for the firms' existence beyond owner retirement, and that the firms are at risk of shutting down. This project provides technical assistance in situations where employee ownership may be a good option. The group educates local development and private sector leaders about process and benefits, and makes contacts between the firms and public and private sector service providers who have special expertise in business succession.

Timber Communities Assistance Program. Intensive assistance is provided to distressed timber-dependent communities, with priority given to those places most vulnerable to substantial near-term job losses. The program follows the course of organization, planning, and implementation that is common to the work of the Community Revitalization Team, but works more intensively in communities by: (1) making greater use of independent consultants than do most CRT services, (2) arranging interagency coordination that responds to local needs, and (3) brokering funds to communities as needed to examine the feasibility of potential projects, or to implement them. The program is an integral part of an interagency "Timber Team" which concentrates assistance from a number of state agencies and programs on timber-dependent communities at greatest risk of economic dislocation in that industry.

Community Development Finance Program. This program makes experts in loan packaging available to rural, distressed, and timber dependent communities, primarily as a support service for local business expansion efforts. Program specialists do not originate loans, but work with port districts and small cities, helping them to utilize effectively programs offered by the Small Business Administration, the Community Development Block Grant Program, and commercial lenders. In addition, staff encourage bank participation in local development and business support efforts, serving as a resource to development organizations on access to capital and small business financing issues.

Community Diversification Program. Established in 1990, this program helps prepare military-dependent communities, businesses, and workers for projected long-term reductions in federal defense spending. The program aims to facilitate early conversion and diversification by: coordinating local, state, and federal assistance already available; enhancing awareness of the significance of diversification; facilitating

Targeting. *All the programs of the Revitalization Strategies Unit target specific problems facing community leaders around the state, such as restructuring timber and defense industries, business succession, finding and packaging financial resources, and improving local strategic management.*

Achieving scale. *Most programs respond differently in the client communities depending on local factors such as the degree of economic distress, progress, and prospects for success. Programs reach relatively more communities than do the comparable programs in most other states — 90 to 100 communities in the current biennium alone. Of course, having a large staff helps. The unit's staff of 23 are headquartered in Olympia, Spokane, the Tri-City area, and the Olympic Peninsula.*

Costs and requirements. *While none of the programs involve fees, neither are they large enough to serve all places. Local efforts that invest in their own behalf, that have demonstrated broad-based support, and that have good chances of continuing possess an undeniable advantage in working with the department.*

community-level strategic planning; and directing assistance to small and medium-sized firms most likely to be affected by military budget cuts. The program helped develop, and is implementing the plan, *Diversification — Strategies for Military-Dependent Communities, Businesses, and Workers*, which provides state and local leaders with a needs analysis, models, resources, and recommendations for economic diversification.

Development Grant Unit. Another DCD program that works outside the Revitalization Strategies Unit manages grants and other financial assistance programs of the department. In addition to administering several longer-standing community financial assistance programs, the Development Grant Unit has some "demonstration" grant programs that fund implementation of new approaches to community development. One example is the *Rural-Urban Linkages Program*, which encourages proposals that concentrate on developing new partnerships and economic linkages between places, creating new capacity to facilitate new economic opportunities, and enhance the export of goods and services from rural areas. Since its establishment in 1990, the group has made three rounds of grant awards, providing a total of over \$900,000 to community groups and inter-regional alliances. Most grants are in the range of \$25,000 to \$75,000.

University-Based Support for Development Leaders

Universities and colleges commonly take on public service as part of their mission. Included here is a sampler of the services that assist community economic development leaders with basic problems. It is only a sampler. Virtually all colleges and universities include public service in their mission, and many programs have been established to support local governments and leadership groups. These include the Cooperative Extension Services covered separately earlier in this chapter.

Readers interested in learning more about university based models for integrating university and economic development resources should see the *Directory of Economic Development Programs at State Colleges and Universities*, which is described in the final section of this chapter.

There are three main models of university economic development services that cut across the topical specialties they may address:

Matching services. Many programs provide access points to expertise resident in the universities. These are often made up of networks that match clients to resources within the university system. Business and industry parks raise this to a more specialized level by combining a free-standing business development facility with access to technical advances found on the nearby campus.

Specialty programs. In this model direct assistance is the program objective, with faculty, staff, and facilities formally dedicated to its provision. Service to communities and area businesses often takes the form of technical consultations and tailored research. State and local agencies may collaborate with the program on contracts and initiatives, but the relationships are characteristically partnerships.

Branch programs. Branch programs provide a local point-of-delivery for programs developed and administered by state and federal agencies. The college homes of many Small Business Development Centers are a common example. Others include federal laboratory consortia and technology databanks, Marketplace services (which match area manufacturers with area industrial consumers), and Census data distribution hubs. Here, university staff work under contracts that define their clients, products, and service commitments.

Idaho—The Regional Economic Assistance Programs of the Idaho State University

Robert E. Chambers
Coordinator
Center for Rural Economic Development
Campus Box 8018
Pocatello, ID 83209
208-236-2936

Targeting. *Taken as a whole, the programs are targeted regionally, rather than topically; that is, they are shaped to be a relatively comprehensive economic development resource for communities in eastern Idaho.*

Achieving scale. *The programs routinely interact with both local groups and state government.*

Costs and requirements. *There are few costs and requirements beyond normal fees for land lease (industrial park tenants), and for computer time needed for some data problems.*

Idaho State University's College of Business offers a range of services to communities and businesses under its regional assistance programs. This program is well representative of how Idaho's university system programs reach community and economic development leaders with services that include technology transfer, business incubators, local area economic analysis, and community strategic planning. Comparable efforts are in place at Boise State University, and, in smaller scale, at both Lewis and Clark State College in Lewiston, and the College of Southern Idaho in Twin Falls.

Center for Rural Economic Development. The program provides intensive capacity building assistance in both town- and county-level long-term strategic planning and implementation. The group also conducts Gem Community training and facilitation for communities in three of the state's six regions.

Office of Economic Development. The office acts as a bridge linking people to appropriate resources throughout the institution. It is particularly active in coordinating research and other university efforts so they may be more directly useful outside the campus.

Business and Research Park. Established in 1986, the research park attempts to attract and develop firms which can take advantage of the specific research strengths of Idaho State University and the nearby Idaho National Engineering Laboratory. In early years, the park's activities concentrated generally on local business development. A recent reassessment of advantages offered by advanced research activities has generated a new concentration on enterprise development relating to health sciences, nuclear medicine, and other commercial applications of nuclear engineering.

Center for Business Research and Services. A key link in Idaho's State Data Center program, this program is a repository of data from federal, state, and local sources. The Center offers data analysis and mapping services to local leaders. It leads training sessions on conducting local economic analysis and provides technical support to university, state, and local groups. Among its special facilities are Idaho Data Hotline and the Simplot Decision Support Center.

Small Business Development Center. The center manages two regional offices of the SBDC program, in Pocatello and Idaho Falls. The organization also runs Eastern Idaho Development Corporation, a development corporation with a regional service area. The centers provide business training and consultation to small and infant business enterprises.

Montana—The Montana Entrepreneurship Center

The Montana Entrepreneurship Center was established in 1988 in an effort to establish a single-source technical assistance referral service for businesses, local economic development groups, and Montana's six-institution University system. A computer database was created, listing a variety of technical skills and facilities available to help businesses, including many services that charge fees for their service. The database has since been expanded to include information about state, federal, and many private sector business assistance sources. MEC maintains three offices, at the University of Montana in Missoula, Montana State University in Bozeman, and Eastern Montana College in Billings. Several matching and networking services are offered, including some that are new and developing.

Business needs assessment. Businesses usually begin by consulting with MEC staff in Missoula, Bozeman, or Billings to define and prioritize their needs. They are then matched with the best source of business assistance. In many cases, this involves a simple referral.

Computerized catalog of assistance providers. When highly specialized expertise is needed, a search of the Center's database matches key words (concerning interests, skills, and technical capacities) provided by both the user and providers to generate a listing of alternative referrals. The database also enables searches by geographic location. It is updated annually.

Economic development practitioners' forum. The Center now makes much of the business resource database available at no charge to Montana economic development leaders, who can tap into the system with a desktop computer and modem. It has also started a computer bulletin board that enables these development leaders to exchange information over the network.

Venture capital "dating service." A venture capital network is being developed that will provide confidential matches between businesses and investors. The network would provide a gateway for the confidential exchange of information between firms and potential funders.

Kay Lutz-Ritzheimer
Suite 204 McGill Hall
University of Montana
Missoula, MT 59812
406-243-4009

Targeting. *Businesses starting and expanding typically find the program's basic consultation and referral services most useful. Those firms needing the more specialized database service are likely to have developed specific technical questions regarding a type of product, process, or technology.*

Achieving scale. *The relatively young program is attempting to forge more productive links between University professionals, economic development leaders, and the business community. Through a combination of counseling and electronic capacity, the program hopes to expand both the reach and scope of its program.*

Costs and requirements. *There is no charge to businesses using the basic referral service. Specialized searches, requiring use of the database are provided a fee of \$25. The computer bulletin board is free to economic development leaders.*

Oregon — The Regional Services Institute

*Terry Edvalson, Executive Director
Eastern Oregon State College
8th & K Street
LeGrande, OR 97850
503-962-3755*

Targeting. *Most services are offered in a ten county area of Eastern Oregon with some of them available state-wide.*

Achieving scale. *RSI has built upon its base as a community development service provider to become an important regional delivery point for many state and federal development programs. In this sense, the organization acts as a bridge between higher levels of government and local users.*

Costs and requirements. *Most services are provided at no charge, though some charge fees to recover costs.*

The Regional Services Institute at Eastern Oregon State College directs a variety of services to communities and enterprises in Eastern Oregon. Its range of in-house skills, and its success as a local delivery channel for a number of state and federally-sponsored programs rank it among the preeminent college-based economic development service centers in the Northwest.

Community development. RSI provides facilitation, research, and grant preparation for communities, community development groups, and tribal organizations. The service draws from resources available from state and federal governments, but its highly successful community development consulting program is a bedrock service of RSI.

Small Business Development Center. As part of the state's college-based SBDC Network, basic small business training and counseling is provided to new and forming businesses.

Marketplace. The group is one of several organizations involved in this program that matches Oregon suppliers to in-state firms currently purchasing selected goods and services from outside the state. The effort involves staff in identifying both buyers and sellers of goods.

Grants library. Under a new service, RSI and the college are assembling a library of grants and funding sources for public use.

Technology transfer. The Regional Services Institute is Oregon's contact for the NASA-sponsored Industrial Applications Center. The program uses a computer database system to track federally developed technology and match it to private applications, with charges on a cost-recovery basis.

Washington — The Partnership for Rural Improvement

The Partnership for Rural Improvement (PRI) is a state-wide network of community service providers that advises and supports the initiatives of rural governments and community groups. The partnership forms a referral system that helps match local needs with appropriate assistance resources in the participating colleges and state agencies. These are supported financially by the state Cooperative Extension Service at Washington State University and the other host colleges. PRI matches the resources of universities and colleges and state agencies to rural communities. The educational bent is strong, with greatest emphasis on local government education, rural community strategic planning, and meeting facilitation. These skills find their application in the full range of community and economic development topics. Staff in different locations around the state serve different roles in their areas, some concentrating on small business counselling, others on rural youth employment, and meeting organizing and facilitation. Among the current programs are:

Program for Local Government Education. Many elected officials in rural areas face expanding management responsibilities and a rapidly changing social, economic and political environment. This program provides educational support for local officials concentrating on effective management, interlocal cooperation, access to training, risk management, negotiation, and team building. The program is staffed and jointly managed by faculty of Washington State University, the Cooperative Extension Service, and the Partnership for Rural Improvement.

Rural Entrepreneurship for Action Learning (REAL). REAL works in rural high schools, helping students start small businesses. Unlike some other business-minded programs, the goal is to create a fully operational enterprise, not one that is will vanish when school is out. In the process of making jobs for themselves, students work in and outside the school to raise capital, acquire skills, develop products and markets. PRI staff act as state trainers and facilitators, helping the programs take root in rural high school systems. The program is part of a national federation of such groups, headquartered in Athens, GA.

Lake Roosevelt Forum. Started in 1989 to foster communication among people of diverse interests whose lives touched the 250-mile long reservoir, the Lake Roosevelt Forum is emerging as an effective regional entity. The forum involves individuals elected and appointed from six Washington counties, two Indian Tribal Councils, citizen representatives, state, and federal agencies. The group has advanced several regional issues, including water, wildlife management, and land use.

PRI's five full- and part-time staff members are located in colleges and universities around the state. Its advisory board includes local leaders of all types. Other affiliated institutions include:

- Skagit Valley College
- Eastern Washington University
- Community Colleges of Spokane
- Yakima Valley Community College
- Central Washington University
- Department of Community Development

Robert H. McDaniel
Washington State University
411 Hulbert Hall
Pullman, WA 99164-6230
509-335-2937

Targeting. PRI's services are designed for community-based leadership groups, including both governmental bodies and local development organizations. While there is an emphasis on leadership training, facilitation, and decision making, these tools are applied in many ways, including management of multi-county forums, implementation of community-based tourism development strategies, and minority enterprise development.

Achieving scale. Program staff are dispersed among rural Washington colleges and act as a network of local groups, universities, and state agencies. The program is administered through the state's Cooperative Extension Service, one indication of the depth and integration CES brings to the state's Extension system. PRI works increasingly with Small Business Development Centers and Resource Conservation and Development Areas in the state.

Costs and requirements. Charges and user requirements are rare.

Other Resources

Beverly Smith
Executive Director
320 North Michigan Avenue, Suite 804
Chicago, IL 60601
312-357-0177

Association for Enterprise Opportunity

The Association for Enterprise Opportunity was established in 1991 as a national forum and voice promoting enterprise opportunity for people and communities with limited access to economic resources. The rapidly evolving activities of this new group include promoting increased financial support and understanding, compiling and providing information on the field, cooperating with similar interested organizations to enhance the work of its members, and advocating policy change. The group holds meetings annually; publishes a monthly newsletter, the *AEO Exchange*; and contributed heavily to the 1992 *Directory of Microenterprise Programs*, a publication of the Aspen Institute's Self-Employment Learning Project. Memberships are \$35 for individuals and \$100 for organizations.

Frank Altman
2400 Foshay Tower
821 Marquette Avenue
Minneapolis, MN 55402-2903
800-475-3050

Community Reinvestment Fund

The Community Reinvestment Fund works with revolving loan funds operated by community development groups to replenish money available for lending. In essence, CRF buys from communities loans that were made for small business development, affordable housing, and other local development projects. The project then groups loans made by many different communities into pools of about \$1 million, adds additional funds (raised from foundations and corporations), and sells the package as publicly tradable bonds. The net effect is to revitalize local funds and enable more local development loans to be made. Since local development loans are often made at below-market interest rates, however, they are often purchased by CRF at somewhat less than their face value.

The service is available for community loan funds as small as \$25,000 in rural and urban communities alike. Currently, among the Northwest states, the service is offered only in Washington and Oregon. The project is being made available in the Northwest states through support from the US West Foundation. Information is also available directly from economic development representatives in every state served by US West Communications (listed on page 98, Figure 3.11).

National Association of Development
Organizations
Organization Research Foundation
444 North Capital St. NW, Suite 630
Washington, DC 20001
202-624-7806

Economic Development Digest

This monthly newsletter tracks economic development practices nationally, with a particular emphasis on innovations in non-metropolitan cities and towns. The format is not unlike that of many other well-produced newsletters, but content is more tightly focused on issues, practices, meetings, and publications of interest to economic development leaders. Published with support from the Economic Development Administration, the newsletter prints many articles reporting on EDA programs and funded activities. As such, the newsletter provides useful information about that agency's priorities. It is offered free of charge.

State Rural Development Councils

A federal initiative to improve the delivery of state and federal services to rural areas has led to the formation of Rural Development Councils in several states. The councils, which seek out and implement improvements on a state-by-state basis, have been formed and are forming in Oregon and Washington, Alaska, Idaho, and Montana. While the efforts in every state are very young, and very distinct from one another, the initiatives appear to have been taken as more than a trivial directive from above. Networks are being established, state-wide and regional initiatives are developing, and the groups are transcending narrow definitions of rural economic development as a particular strategy (i.e., recruitment) or industrial sector (i.e., agriculture).

The efforts are linked to the national level through the Working Group on Rural Development. The working group is devising a Rural Development Administration, within the Department of Agriculture, that has a broader vision of improving rural opportunities by strengthening capacity and competitiveness in less populated places. The group has ties to a national interagency management group, which enables system problems identified locally to be taken top-level program administrators who can act on them.

Walt E. Hill
Working Group on Rural Development
Room 5405, South Building
U.S. Department of Agriculture
14th & Independence Avenue, SW
Washington, DC 20250-0320
202-720-8653

Ron Shaffer
University of Wisconsin
427 Lorch Street
Madison, WI 53706
608-262-9485

Alaska Rural Development Council
Bob Bream
333 West Fourth Avenue, Suite 220
Anchorage, AK 99501-2341
907-269-4607

Montana Rural Development Council
Bob Heffner
Department of Commerce
1424 Ninth Street
Helena, MT 59620
406-444-4271

Idaho Rural Development Council
Richard Gardner
Division of Financial Management
Statehouse, Room 122
Boise, ID 83720
208-334-3131

Oregon Rural Development Council
Judith St. Claire
P.O. Box 40204
Portland, OR 97204
503-326-3078

Washington Rural Development Council
Stephen Buxbaum
906 Columbia Street SW
P.O. Box 48300
Olympia, WA 98504-8300
206-586-8979

Figure 3.9
Rural Development Councils
in the Northwest States

Telecommunications Resources for Rural Economic Development

Fiber optic cables, digital switching, laser disks, satellite communication, word processors, facsimile transmissions and computer-integrated manufacturing are now as essential to economic development as interstate highways, industrial parks, water and sewage systems, and assembly lines were to the mass society era.

"Information Technologies and Rural Development in the 1990s," by Don Dillman and Donald Beck, The Journal of State Government, 1988.

The importance of telecommunications will continue to grow as the information-based economy expands. Increasingly, information is replacing time, labor, and energy in the production of goods and services; businesses must respond quickly to changing market conditions and consumer demands; and the economy is becoming more global in nature.¹⁵

However, telecommunications can be a two-edged sword for rural areas. On the positive side, says communications expert Edwin Parker, a "reliable telecommunications infrastructure can make geography and distance irrelevant."¹⁶ Telecommunications can serve as a conduit to bring educational materials and health care services to rural areas. It can provide access to a wide range of information sources and technical assistance from around the country and the world. Telecommunications technology allows businesses to gather information on distant markets and quickly adapt products to changing consumer demands. Many services can be delivered anywhere in the world via telecommunications simply with the push of a button.

Equally important, however, is whether telecommunications will expand the prosperity gap between rural and urban places. Already, rural areas lag behind urban centers in telecommunications infrastructure and the human capacity to use it. Without proper support, these gaps could easily become magnified in the future. A 1987 case study of three rural communities in Washington State found that information technologies resulted in a total of 11 job losses compared to 5.5 job gains.¹⁷ According to the case study, technology can either eliminate jobs or ship them to more populated areas. For example, one rural newspaper sent its stories via computer and modem to another town for typesetting, rather than having the work done locally.

Two key elements are needed for rural communities to use telecommunications to their advantage. First is an adequate infrastructure for modern telecommunications needs, including universal access to telephone service, high quality transmission lines, digital switching, and mobile cellular service. The deployment of such technology will depend to a large extent on state and federal policy decisions. The second factor is the ability and willingness of rural residents to incorporate available telecommunications products and services into their lives. This section seeks to provide useful information on resources that address these tasks.

Rural Telecommunications Initiative

Jamie Stone Rohe, Coordinator
MDC, Inc., 1717 Legion Road
Chapel Hill, NC 27514
919-968-4531

Targeting: *The Rural Telecommunications Initiative is targeted to rural community-based organizations, including those involved in economic and enterprise development, community organizing, human services delivery and education. Other target groups include government agencies involved in rural issues, and regional and national organizations interested in rural policy development.*

Links with other organizations: *The Initiative is a project of the Ford Foundation in collaboration with the Aspen Institute's Rural Economic Policy Program, and MDC, Inc. a North Carolina-based public policy group. Other organizations that participate in the network include the Northwest Policy Center, the Corporation for Enterprise Development, the Rural Communities Assistance Program, and the Center for Community Self-Help.*

Costs and requirements: *Joining the initiative costs \$100 for the necessary software and \$25 per month. This provides full access to the Rural Telecommunications Initiative and to the entire HandsNet network. Network usage fees range between \$5 and \$12 per hour, depending on time of day. The service is accessible by modem from either Apple or DOS type computer operating systems; a "mouse" is strongly suggested.*

Established in 1990, the Rural Telecommunications Initiative is a telecommunications network linking non-profit organizations and government agencies serving rural areas with regional and national organizations involved in rural policy development. Its development is a result of collaboration between the Aspen Institute and MDC, Inc., a North Carolina-based public policy organization, and the Ford Foundation. The Rural Telecommunications Initiative is part of HandsNet, a national telecommunications network of well over 1000 subscribers involved in housing and community development, legal services, homelessness, hunger and poverty, and rural development.

The network provides an interactive system for sharing news, research findings, technical assistance, legislative and regulatory updates, and information on upcoming events. Its focus is rural development and poverty issues, including water and waste disposal, economic development, and sustainable agriculture.

Information exchanges. Information for organizations serving rural areas is provided over the telecommunications network in a variety of forms, including an electronic news clipping service, abstracts of research studies and reports, data bases that can be searched using key words, up-to-the-minute legislative and regulatory alerts, summaries of state rural development activities, and an events calendar with information about conferences and other activities. In addition, all network users are encouraged to "post" information that might be useful to other subscribers. Contributors include leading policy research organizations.

Technical assistance. General technical assistance is available from national support and advocacy organizations on topics such as media strategies, computer use, and research methods.

Electronic mail. Electronic mail and document transfer capabilities allow subscribers to communicate with each other and share information, documents and graphics. Many organizations find these options more convenient and less expensive than such alternatives as telephone calls, faxes, and overnight mail.

Equipment. Computer equipment and related software has, in the past, been provided to network subscribers who demonstrate need and have a valuable contribution to make to the network. Through grants from Apple Computer, dozens of computers and support equipment were distributed by the Rural Telecommunications Initiative to selected non-profit organizations in both 1990 and 1991.

Big Sky Telegraph

Big Sky Telegraph began in 1988, funded by grants from the M.J. Murdock Charitable Trust and the US West Foundation. Initiated to encourage sharing of resources and information among Montana's 114 one-room schools, the system has quickly evolved into a comprehensive electronic network serving educators, students, business people, economic development practitioners and others from a broad region. Specific services include electronic mail, computer conferencing, document transfer, and access to on-line databases and regional library services.

Training. On-line computer education services are provided to teach individuals use of the network. Western Montana College also offers a one-credit course to help educators and business people master the network's full range of telecommunications capabilities. In addition, "circuit riders" travel to Montana communities to train potential users of the network.

Data and information bases. Big Sky Telegraph provides electronic mail, computer conferencing, document transfer, and access to on-line data bases and regional library services. The system maintains electronic conferences in five issue areas: rural education, economic development, higher education, human services, and global communications.

Electronic mail. Companies can use the network's electronic mail, data transfer and on-line conferencing capabilities to achieve easier and cheaper communications with branch offices, customers and suppliers. They can also post product and service lists on the network and receive orders from customers.

Economic developers' forums. Economic development organizations use the network for global communications and to obtain information such as domestic and international trade leads and census data. The network also provides on-line connections to other economic development entities.

Teacher forums. Services for educators include the opportunity to share ideas and lesson plans with peers; tap into Big Sky's educational software library and "public domain" software bank; and use on-line library services connected to Montana's Office of Public Instruction, Western Montana College and other university libraries.

Frank Odasz, Director
710 South Atlantic - Box 11
Western Montana College
Dillon, MT 59725
406-683-7338
Data: 406-683-7680

Targeting: *The system is designed to be user-friendly and to link rural people with each other and with a wide range of information resources. The network is used by a variety of individuals and groups, including educators, business people, economic and community development officials, libraries, universities, senior citizens, and environmental, handicapped and women's groups. Big Sky Telegraph also helps organizations that want to develop their own specialized networks or network applications.*

Links with other organizations: *Housed at Western Montana College, the network links users with the University of Montana's Library Media Center, the Eastern Montana College Library, the Small Business Administration and others.*

Costs and requirements: *Basic access to the network requires a computer and modem and is free (excluding any long-distance telephone charges). An annual subscription fee allows unlimited access to additional services.*

Local Government Information Network (LOGIN)

Sheri Pascazio, Senior Marketing Rep.
245 East 6th Street, Suite 809
St. Paul, MN 55101-9006
800-328-1921

Targeting: LOGIN is available to city and county governments, councils of governments and regional planning associations, state municipal leagues and county associations, state and federal agencies, and non-profit organizations serving local government. Most subscribers are from mid-sized and large jurisdictions, (e.g., cities over 30,000 in population).

Links with other organizations: Information available through LOGIN comes from a variety of sources, including the Academy for State and Local Government, Harvard University's John F. Kennedy School of Government, the National League of Cities, the Urban Institute, and various federal agencies.

Costs and requirements: Access to the system requires a personal computer or data terminal and a modem. Membership costs vary depending on a subscriber's population. Rates are \$1,175 for the first year and \$875 each subsequent year for cities with a population of 10,000 and less (rates are approximately the same for counties of 100,000 and less). The annual fee gives users unlimited use of the system (no hourly fees are charged). Members may offset up to 50 percent of their renewal fee by contributing information to the network.

LOGIN is an electronic network used by local government professionals from towns, cities and counties around the United States. Started as a pilot project in 1980 by Control Data Corporation and public-interest organizations dedicated to improving local government, LOGIN is now a commercial service funded primarily by subscription fees. The network allows subscribers — currently more than 700 government officials at 250 local government jurisdictions — to communicate with each other and to gain access to a variety of information resources dedicated to local government. These include a data base, a news and legislative update service, and an electronic index of publications dealing with local government issues.

Professional exchange. LOGIN's Quest Service is one of the most popular features of the network. It allows users to ask for and receive assistance from local government officials around the country. Often users post questions when they are considering legislation or regulations on a particular topic and want to learn how other jurisdictions have addressed the same issue.

Data and information. A data base containing some 50,000 pieces of information pertinent to city and county government are accessible through LOGIN. Information comes from a variety of organizations that serve local government, including city, state and county trade associations, universities, think tanks and federal agencies.

News and legislative tracking. News and legislative information is available on the network; and can take the form of federal legislative alerts, notices of federal funding opportunities, press releases from federal agencies, and national organizations, and news articles on local government issues from a variety of publications, including articles by urban affairs columnist Neal Pierce.

Electronic mail. Electronic mail capabilities allow subscribers to communicate directly with other network users. Subscribers have their own private mail boxes as well as access to public bulletin boards.

Literature abstracts. For an additional fee, subscribers receive online access to the Greenwood Press Index to Current Urban Documents, a regularly published guide to reports and other publications generated by local governments in the United States.

State Business Information Networks

Various Northwest states offer electronic networks or bulletin boards to provide information and services to businesses and economic development organizations. These networks usually carry a wide variety of information, including US Department of Commerce international trade leads, local, state and federal procurement opportunities, business-related directories, and census data and other statistical information.

Some networks work closely with state marketplace programs to link in-state businesses with state and federal agencies seeking particular products or services. Many offer electronic mail and computer conferencing capabilities, allowing individuals and organizations to post notices and communicate with one another. Others serve as data distribution points, making statistics and economic analysis electronically accessible.

Most state networks are operated by state departments of commerce or economic development. Funds are primarily from state revenues, although some receive small amounts of federal assistance. Most networks require only a computer and modem to use. Fees, if charged, are usually minimal, cover only a small percentage of operating costs, and serve mostly to discourage casual users from abusing the system.

State-run economic development networks in the Northwest states include:

Alaska BIZLINK. Alaska's BIZLINK includes a directory listing federal, state and local business assistance programs; a directory of Alaska's elected officials; a calendar of business events; and a list of SBA and SBDC publications.

*Penny Graber, Systems Operator
Small Business Development Center
University of Alaska
907-274-7232
Data: 1-800-478-7525 (in state)
907-272-7524*

Idaho Business Network. The Idaho Business Network is available to companies with a presence in Idaho at a yearly cost of \$25; about 400 companies currently subscribe to the network. The network compiles procurement opportunities from state and federal government agencies and large companies in and outside the state, and matches them by computer with network subscribers who offer the specific products or services being sought. The network also provides assistance to companies in following up on procurement leads.

*Brad Trost, Program Coordinator
Idaho Department of Commerce
700 West State Street
Boise, ID 83720
208-334-2470
Data: Call the above number for
information.*

Montana SBDC Business Information System. Montana's network serves businesses and economic development organizations in the states of Montana, Wyoming, Idaho, North Dakota and South Dakota. The network carries state and federal procurement opportunities and trade leads, Montana statistics and community profiles, and business and economic development directories. Use of the network is free, and individual or group training is available on request. A similar agricultural network, called the Montana Agricultural Marketing Bulletin Board, is accessible by calling 406-444-5411 (or voice, 406-444-2402).

*David Elenbaas, System Operator
Department of Commerce
1424 9th Avenue
Helena, MT 59620-0401
406-444-4780
Data: 406-444-4457*

*Christy Leonhardt, Marketing
and Membership Director
7140 SW Macadam, Suite 260
Portland, OR 97219
503-293-1998*

Oregon ED-NET. Oregon ED-NET emphasis differs from that of other states. Its state-wide telecommunications network is designed for use by educational institutions, public libraries, state agencies, hospitals, businesses and non-profit organizations. The network was funded by the 1989 Oregon Legislature with \$8 million in lottery funds devoted to economic development. When complete, its capabilities will include satellite connections to hundreds of public schools, state agencies and other sites in Oregon; two-way interactive video among 39 locations at universities, community colleges and community centers; and data communications access to various public data bases, bulletin boards, computer conferences, library resources and other public and commercial networks in and beyond Oregon. The network enables users to reach beyond state lines through its connections to the powerful NorthWestNet.

The network will permit a variety of uses. For example, business associations will be able to communicate more easily with their members, other associations and consumers. Educational institutions may use the network to broadcast courses to rural communities throughout the state. And hospitals and major medical facilities, such as the Oregon Health Sciences University, will be able to provide training programs and transmit diagnostic information to remote areas in Oregon. Network membership fees range from \$1,500 to \$4,000 annually, depending on whether an organization wants only to receive programming or also to send it. Non-members can gain access to network services such as courses, workshops and public hearings through local community colleges, universities, community centers and other network subscribers.

*Bruce McDonald, System Operator
Department of Trade and
Economic Development
2001 6th Avenue, Suite 2700
Seattle, WA 98121
206-464-7350
Data: 1-800-622-4637 (in state),
or 206-441-5472*

Washington Electronic Bulletin Board. The Washington network is accessible free-of-charge to businesses and organizations. It carries US Department of Commerce international trade leads, works with the state's Marketplace program to link potential buyers with in-state suppliers of products and services, provides electronic mail service allowing network users to communicate with each other, and offers space for business organizations to post information and announcements.

*Gary Bedeutsch, Director
Labor Market & Economic Analysis Branch
Employment Security Department
P.O. Box 9046
Olympia, WA 98507-9046
206-438-4804
Data: 206-438-3177,
or 800-422-7075 (in Washington)*

Washington Labor Market Information Bulletin Board. The Washington Employment Security Department posts its current industrial and labor market information on an electronic bulletin board. Users with most desktop computers can use a modem to download data and analyses directly. The bulletin board routinely includes profiles of each county in the state and the agency's periodical publication, *LMI Review*. The service is free.

NorthWestNet

NorthWestNet was originally conceived as part of the National Science Foundation Network (NSFNet), a nationwide supercomputer network. In this role, it has been a global research network linking university researchers to one another, as well as providing access to other national and international networks, data bases, and powerful supercomputing facilities. Responding to user demand, NorthWestNet (which is affiliated with the Western Interstate Council on Higher Education) has expanded its mission to deal with nuts-and-bolts issues of education, economic development, state and local government. It is now reaching into classrooms and boardrooms, hospitals and agencies.

This is a high-speed network, capable of quickly transmitting large amounts of information over telephone lines. The power this system offers comes at a price, in both dollars and complexity. The network is not typically accessed by simple modem, but through dedicated telephone lines that connect computers directly to facilities in each state's Universities. Staff of NorthWestNet help potential network users find, establish, and maintain the systems; train system users; and find grants to cover network subscription and equipment costs. As new and innovative applications of this facility are developed, NorthWestNet project coordinators have pledged to respond flexibly to the needs of local groups that subscribe to it. Its technology has been recognized as the global standard for high speed data transmission.

*Eric Hood, Project Director
Dan Jordt, Systems Programmer
Anthony Naughtin, Manager of
Client Services
NorthWestNet
Suite 202, 15400 SE 30th Place
Bellevue, WA 98007
206-562-300*

Additional Resources

Following are descriptions of additional telecommunications resources, including regional telephone companies that often provide assistance to rural economic development projects, and Northwest residents with expertise in the areas of telecommunications and economic development.

US West and US West Foundation

*Larry Nash
US West Foundation
7800 East Orchard Road, Suite 300
Englewood, CO 80111
303-793-6661*

US West provides local telephone service to more than 10 million residential and business customers in 14 Western states, including Washington, Oregon, Idaho and Montana. Company personnel in each state are available to meet with individual businesses in their service area regarding telecommunications needs (Figure 3.10). US West also works with local communities on economic development projects. This effort might include helping to put in place certain telecommunications infrastructure in an effort to recruit a specific company. The US West Foundation helps in broader goals, too. Through its Rural Economic Vitality Initiative (REVive), the US West Foundation funds communities and organizations providing management and marketing assistance and assists in microcapital development. In 1989 US West Foundation grants totalled more than \$21 million, including part of a two-year, \$283,000 grant to expand Montana's Big Sky Telegraph.

Figure 3.10
US West Foundation Offices in the Northwest States

*Harry Grandstrom
1600 Seventh Avenue,
Room 3001
Seattle, WA 98191
206-345-7844*

*Penny Copps
560 North Park Ave., Room 434
P.O. Box 1716
Helena, MT 59624
406-441-7300*

*Donnie Griffin
421 SW Oak, Room 859
Portland, OR 97204
503-242-6878*

*Rick Hays
999 Main Street
Boise, Idaho 83702
208-385-2167*

*Linda L. Gainer
Public Affairs Director
5-PA, P.O. Box 1003
Everett, WA 98206
206-261-5500*

GTE of the Northwest

GTE of the Northwest serves more than 928,000 customer lines in parts of five states: California, Washington, Oregon, Idaho, and Montana. Alaska is served by a parent company, GTE West. GTE personnel are available to consult with individual businesses about their telecommunications needs. The company also provides funds and technical assistance to economic development projects in communities within its service area. Recent projects include financial support and telecommunications equipment for a business incubator in Idaho, financial support for economic diversification efforts in Washington's Tri-Cities region, and technological assistance to a project to link schools in Gold Beach, Oregon with library resources throughout the United States. Grants to projects in Northwest states totalled approximately \$200,000 in 1990.

Telecommunications Experts

If telecommunications is to play a more dynamic role in economic vitality and opportunity, state and national policies and local practices alike must adapt. Many have helped to shape the response of individuals and groups, in the public and private sectors alike, as they seek ways to make telecommunications a practical tool for rural development. Among the leading voices are the following Northwest professionals.

Don Dillman is a professor of sociology at Washington State University, and a leading researcher and author in the field of telecommunications and rural economic development. He also directs the Social and Economic Sciences Center, a national survey research center based at Washington State University. The center conducts large survey research projects and charges fees to cover the costs of most of its work.

*Don Dillman
Director, Social and Economic Sciences
Research Center
Washington State University
Pullman, WA 99164-4014
509-335-1511*

John Niles helped to develop LOGIN and was Senior Fellow and director of the telematics and economic development program at the Center for the New West, a Denver-based research and consulting organization, in 1989 and 1990. He has written extensively on telecommuting and telematics. Global Telematics advises small and medium-sized municipalities and firms on using advanced telecommunications to foster business and economic development.

*John Niles
President, Global Telematics
322 NW 74th Street
Seattle, WA 98117-4931
206-781-9493*

Edwin Parker, a telecommunications policy consultant and former professor of communications, has co-authored or co-edited four books and more than 75 professional articles on telecommunications and information technology. Together with Don Dillman and others, Parker co-authored two seminal works on the topic, *Electronic Byways: State Policies for Rural Development Through Telecommunications*, and *Rural America in the Information Age: Telecommunications Policy for Rural Development*.²¹ Parker's clients include telephone companies and equipment manufacturers, users of telecommunications services, and non-profit and government entities.

*Edwin Parker
President, Parker Telecommunications
P.O. Box 402
Gleneden Beach, OR 97388
503-764-3058*

Social and Economic Data Resources

*Finding social and economic data is
like drinking water from a fire
hydrant. It is easy to be overwhelmed
by a torrent of information. We have
all the answers, or so it may seem.
The real problem is finding
the right questions.*

—Paul Zelus, Director,
Center for Business Research and
Services, Idaho State University

Many state and federal agencies gather and analyze data about social and economic conditions, and make this public information accessible to citizens. This section reviews the federal programs that, through cooperative relationships with each state, have created a system for gathering and distributing information — the Census Bureau's State Data Centers; and the Bureau of Labor Statistics, which works cooperatively with Employment Security Agencies in each state.

Information and Analysis: Factors in Service Availability

Information and analysis provided by these agencies can improve the quality and refine the direction of local revitalization initiatives. For these information channels to be truly useful to those who aren't analysts, however, most local users need more than raw data. As Paul Zelus, of Idaho's Center for Business Research and Services notes, a flood of raw information can overwhelm the user. Turning this flood into useful intelligence begins with formulating questions that reflect what must and can be known. It proceeds with gathering information, analyzing, and presenting information with careful attention to purpose. While these tasks may not be "technical" in many senses of the word, they do require specialized knowledge without which research may be a hopeless or meaningless task.

Whether they are found at the state, federal, or university level, nearly all bureaus of research and analysis include some general assistance and dissemination function in their mission. It must be said at the outset that a small appetite for technical information by many community and economic development groups does much to explain why in-depth assistance may not be available to them on demand. Undertaking formal research is a low priority for many local leaders, and this has a great influence on the quality and extent of assistance that is offered.¹⁹ Very often, social and economic data are requested by non-profit organizations and governmental units not to aid in decision making, but to add support and credibility to decisions already made. Substantial investment of time and resources by the agencies is not justified if the goal is to provide rhetorical support rather than decision-making assistance to community leaders.

Local Area Research: Questions Shape the Task

What questions do community leaders look to social and economic data to answer? There are several themes in local area analyses, and each suggests a different approach to information gathering and assessment.

What do we offer? Community leaders interested in attracting or developing businesses often want to prepare a community profile that describes the area from the perspective of a potential investor. Such profiles usually concentrate on gathering current facts on a wide range of areas:

- Wages
- Income
- Education
- Age profile of the population
- Housing
- Transportation
- Telecommunications facilities
- Taxation
- Available zoned or improved land
- Commercial buildings
- Water capacity
- Waste facilities
- Regulatory and permitting processes
- Public attitudes toward development

Naturally, different businesses have different information needs, depending on their size, markets, and production requirements. A key challenge of this type of analysis is to anticipate what sort of information companies will need. The *Gem Community Certification Manual*, prepared by Idaho's Department of Commerce, presents a format for a community profile specifically geared to small communities.²⁰ Some suggest that the business-minded community profile proceed only after an assessment identifying which sectors show good prospects for local growth. The Missoula Economic Development Corporation's work, *Montana's Biotech Connection*, is a good example of a sectorally targeted investors' profile of the state.²¹

Where are we headed? Community leaders engaged in strategic planning for local revitalization often want to learn more about the challenges and opportunities facing them, or to track the effects of their initiatives. Unlike business-focused profiles, these assessments emphasize monitoring a few key measures over time. Revitalization-centered profiles may embody a set of indicators (or benchmarks) that reflect specific human, social, environmental, and economic conditions that can be tracked, and compared to the state, nation, or other communities:

- Business births or deaths
- Educational attainment
- Poverty
- Wages, incomes, or employment and their sources
- In- and out-migration
- Consumption and production of key natural resources
- Pollution
- Indicators of health and welfare

Important challenges concern the validity and reliability of the indicators. If the information is intended to inform local decision making, the selected indicators must reasonably reflect the underlying conditions they are intended to track; and they must be comparable to other measures,

either over time or across different places. The *Oregon Benchmarks* project is a solid example of the a state-wide effort to track progress in many specific goals over time.²²

What are our prospects? Leaders interested in targeting their efforts for greatest impact often try to identify emerging strengths and opportunities in the enterprise base. Here, questions are focused on a given industry and are designed to reveal the income and employment trends and the local resources available to support enterprise growth. Shift-share analysis is a tool commonly used to seek out competitive advantages. This technique is a relatively simple way to compare the growth of local earnings and employment in a particular industrial sector to the national trends. Many small communities, for instance, want to know how they have fared in specialty food or wood products and health care sectors. Though shift-share is one useful technique, it is backward looking; past performance may or may not be helpful in predicting how a sector will perform in the future. Local-prospects research may also entail looking into the future with feasibility analysis, defining prospects by assessing one or more of a number of areas:

- Estimating demand for a good or service in a given trade area
- Reviewing a sector's industrial outlook
- Examining the availability of capital, labor, suppliers, and professional services needed by businesses
- Interviewing the enterprises already established in the area to determine their needs

Examples of feasibility research include the *Idaho Specialized Food Processing Feasibility Study*; and *Which Way to Tomorrow*, a study of the wood products sector of Montana's timber dependent communities.²³

How will change affect us? Public leaders often need to estimate the consequences of anticipated job gains or losses as they ripple through the economy. Economic base analysis is often used in this case. The task of this analytical technique, in essence, is to estimate a "multiplier" figure. This multiplier is used to figure the number of jobs (or the amount of income) indirectly supported by each dollar of income or job that is gained or lost in a specific place and sector. For example:

- Community leaders may want to know how the loss of a hospital would effect the area economy. Research would attempt to determine the multiplier for hospitals in that area.
- Community leaders may want to estimate the amount of income that could be generated by a major new manufacturing plant in the area. Finding a multiplier may be a first step in estimating whether new taxes would compensate for the new services and infrastructure the plant would require.

There are several ways economic multiplier analysis can be done and even the simplest are fraught with technical difficulty and are hazardous to interpret. Multipliers vary from one firm to another, from one place to another, and over time — depending on wages and earnings and the local ability to capture these wages locally as they are spent on goods and services. These issues are addressed in the Western Center for Rural Development's useful works on conducting and understanding predictive community profiles, including *Economic Multipliers, Can a rural community use them?*²⁴

There are many other specific questions that community leaders may seek to answer through research and data analysis. Priscilla Salant in her book, *A Community Researcher's Guide to Rural Data*, has assembled common issues of concern to rural researchers into several topics, and suggests many sources and methods that can be used to answer them.²⁵

State Information and Analysis Services: General Characteristics

The programs that make up the core of the states' information resources were created by the federal government, and can be accessed through national offices (often found in Washington DC). Many of the research and dissemination functions are contracted to offices with each state, and these offices provide access that is typically more convenient. Since each of these state programs operate under the same set of contracts with the federal government, their missions are the same from state to state. However, these entities have been incorporated into the states' own activities in very different ways, the result being very diverse institutions pursuing similar goals. The differences in approach are revealing.

Centralization. Some states merge their main functions within central offices. The State of Alaska, for instance, has gathered many social and economic information resources under the Department of Labor. Centralization seems to serve this state's rural places well. The more-than-forty staff members in the department work through a smaller team of case workers, providing a "one stop shop" approach that offers an impressive depth of data assistance to community leaders. Utah's successful state information programs are similarly centralized in the Demographic and Economic Analysis Division of the Office of Planning and Budget. Oregon, Idaho, Washington, and Montana all rely on a network approach, in which state, universities, libraries, and regional development entities play distinct and complementary roles. What these networks sacrifice in scale and coordination, they gain in vitality, flexibility, and local responsiveness — or so they hope.

Links to other programs. Data gathering and analysis are often needed in the context of other local and regional development programs. Program linkages connecting offices of research and analysis to policy making groups can help bridge the gulf that often exists between purveyors of technical data and information users. A good example of formal linkages is found in ties between State Employment Security Agencies and local Private Industry Councils. (The tie that binds in this case is the federal Job Training Partnership Act.) Here, economic analysts from Employment Security work directly with the local councils to provide information essential to decision making on worker training activities. Another example is in community certification programs (reviewed in the second section of this chapter). In every Northwest state but Washington, preparation of community social and economic profiles are standard components of state-sponsored local revitalization programs. Preparing the profiles requires collaboration between the community groups and State Data Centers.

Fees. Fee-for-service arrangements are common for labor and equipment-intensive services, such as computer mapping, but less often for counsel on non-technical problems of formulating and pursuing a research agenda. Only Alaska has a clearly defined fee structure built into its most basic information assistance program. States that rely on an informal information network may offer users more places they can turn for help at no charge, but in practice, local users seeking substantial help may find themselves in an endless referral loop.

Technology. The influence of technology is felt by local users in two ways: through information analysis and distribution. Electronic encoding of information has made local area analysis less difficult and time consuming for those that have the equipment and know-how. The Census Bureau's products, for example, are now available in an electronic form that is readable directly by desktop computers. What's more, most Census data is keyed to a TIGER Line file, which (with other Geographic Information Systems) enables information to be mapped and examined graphically at levels of detail down to the city block.²⁶ Most states — all but Montana, in the Northwest — make these analytical resources at least minimally accessible to local users. Some social and economic data are made available electronically through computer distribution systems. Washington's Labor Market & Economic Analysis bureau is relatively advanced in this respect. Many states have business information bulletin boards and post selected data on them. All make information available on mailable electronic media — computer tapes and diskettes.

The Census Bureau and State Data Centers

State Data Centers (SDCs) are a cooperative program of the Census Bureau and the states, established in 1975 to distribute Census Bureau data and products. Under the program, the Bureau provides to the states, at no cost, the full range of its data in the form of publications, computer tapes, software, maps, and microfiche. In turn, State Data Centers establish a distribution network and offer a range of assistance in finding and interpreting Census information. The Data Centers are supported by the Census Bureau Data User Services Division and its twelve district offices, which also serve the general public directly.

Unlike the state agencies that cooperate with the Bureau of Labor Statistics to track employment and industrial conditions, State Data Centers play no federal information gathering role and receive no direct financial support from the federal government.

Services and Facilities

States are free to structure their Data Centers as they see fit. The most common model places the Center within the state commerce or labor department, drawing technical support from the state library and university systems. A few, including Oregon's Data Center, are centered in universities.

The centers also vary in terms of the extent of centralization. Washington's system is notable for its network structure, in which a strong center is supported by numerous equally strong coordinating agencies whose analytical specialties complement the main office. Alaska's SDC program, also quite strong, is highly centralized; SDC programs

Targeting. *The common objective of all State Data Centers is to provide a distribution network for Census Bureau information. The centers vary considerably in their capacity to provide technical assistance in community-level research.*

Achieving Scale. *Affiliates of the SDC program typically include local libraries, colleges, and regional economic development service providers. All affiliates can refer users to more specialized sources as needs are identified. Some now use computers to distribute information over networks, or to set up detailed databases in the affiliate offices.*

Costs and requirements. *Most basic services are set up to help people who have a clearly defined research question and are free. In-depth counsel — whether the need is general or highly technical — is offered as time permits, or is subject to an established schedule of fees.*

bring their powerful computing, data gathering and transmission, and consulting functions under one roof in the Alaska Department of Labor.

The type and level of assistance available through State Data Centers varies considerably from state to state. Differences in public services include: (1) Public access to computer and mapping technology, (2) availability of non-Census Bureau data; (3) Formalized fee structures for specialized services; and (4) staff specialists who offer consultation on data analysis consultants.

All SDCs maintain a library of census products for public access, provide Census data in paper or machine-readable format, maintain multiple points of delivery within the state, offer training sessions for users and affiliates, and give technical support on the use and analysis of Census Bureau data.

Libraries. SDCs are provided with a full range of products by the Census Bureau and make them available to the general public. Many SDC libraries include social and economic information from other sources as well. Selected documents are provided to SDC affiliates around each state.

Affiliates. All SDCs have an affiliate network consisting of institutions specialized in information distribution and analysis; these usually involve specialists from the university system, the state library, and local libraries around the state. Under a pilot program, states may also create Business Industry Data Centers (BIDCs), including private, non-profit organizations, to help companies use Census information. Regional economic development groups are often designated as BIDCs. Lists naming the affiliates and BIDCs are available from the Data Centers on request.

Data. Most Census Bureau data is published only in summary form. Greater geographic, industrial, occupational, and demographic detail is available from the SDCs, and may be obtained in paper and electronic formats. In most cases data is distributed free of charge.

Training. SDCs conduct regular training sessions for affiliates and the general public, with support from the Census Bureau's User Services Division and twelve field offices (the office in Seattle serves the five Northwest states).

Publications. Most State Data Centers publish works summarizing frequently requested information from Census and other data sources. County and regional profiles are prepared regularly by several states, including Alaska, Idaho, Montana, and Washington. SDCs and their affiliates may also publish analyses of pressing social and economic issues. In Washington, for instance, economic and demographic papers are published by SDC program affiliates within the State Cooperative Extension Service on selected topics. One recent brief examined demographic conditions in timber dependent counties of the state.²⁷

Analysis and technical support. SDCs are obligated to provide some technical support to assist users in conducting analysis. Minimally, they are expected to help answer technical questions about interpreting Census data and analyzing it electronically. Several states use new computer technologies that make it possible to quickly select information on a specific topic and area and even map it, often at some charge to the user.

Decennial Census of Population and Housing

Previous censuses, for the most part, lumped together information about rural areas. Social and economic information was tabulated at the state, county, and national levels; greatest detail was available only for metropolitan areas. In 1990, for the first time, information gathered from the entire Decennial Census of Population and Housing has been made available in detail for the entire country, including rural areas. Census items contained in the 100 percent survey of the population are available at the smallest geographic level of detail, the Census Block (a unit approximating a city block, with an average population of 30 people). A longer survey form is given to a partial sample, and is available in Block Group units (which average 1000 people). Figure 3.11 shows the categories of information available in Blocks and Block Groups.

The result of these changes is an unprecedented capability to evaluate social and economic information gathered from rural areas. Users are able, as never before, to aggregate much of the census data by blocks and block groups in whatever geographic areas are most meaningful to them; whether that is a river valley, a single community, a sales area, or a trade

	Block (100 percent sample)	Block Group (partial sample)
Average Population of Reporting Areas	30	1000
Social Information	Sex Race Age Marital Status Hispanic origin	Education Birthplace & citizenship Ancestry Place of residence in 1985 Disability Veteran status
Housing Information	Number of units in building Number of rooms in unit Tenure: own or rent Home value or rent Congregate housing Vacancy characteristics	Year moved into residence Bedrooms Vehicles available Year structure built Shelter costs, incl. utilities
Economic Characteristics		Labor force Occupation Industry Place of work Recent work experience (1989) Income (1989) Year last worked

Notes: The separate census data questions about race and hispanic origin illustrates the distinction between the terms "race" and "ethnicity." The Census questionnaire recognizes only four racial categories: Native American, Asian American, African American, and European American. Demographic studies that report race usually refer to this four item list, while those about ethnicity include these five categories and often many more detailed ones.

Figure 3.11
Decennial Census of the Population and Housing: Subject Categories and Smallest Area for Which the Information is Available

Census Applications in Business and Community, Bureau of the Census, September 1989.

corridor. Not surprisingly, this additional detail cannot be published in the same way as most summary data; it is principally available in electronic form.

Ironically, the electronic tools that have made Census Bureau information more relevant for people interested in rural issues have also made the information more technically demanding to obtain. Today, more information about rural America can be portrayed, and in greater detail, but doing so requires technology that few non-specialists have. Three electronic tools are at the heart of these new services.

CD-ROM. For the first time, most data from the Decennial Census are available on compact discs, constituting a threefold improvement over the data tapes used previously: the CDs are about 80 percent cheaper; they can be used directly on conventional desktop computers; and, provided the equipment is in place, they can be used with relatively little training. Each state's Data Center is provided with one complete copy of the entire census for the state on CD-ROM and may purchase additional copies. Some SDCs extract data onto computer discs about the sub-regions of a state distribute it to SDC affiliates and Business Industry Data Centers.

TIGER line files. TIGER (Topologically Integrated Geographic Encoding and Referencing) line files are a mapping tool created by the Census Bureau and the U.S. Geological Survey.²⁸ The files cover the entire U.S., giving precise spatial reference points (latitude and longitude) for many features of the American landscape, including highways and streets, mountains and streams, borders, railroads, towns, and bridges. Census information is referenced to these files. As a result, census and other data can be analyzed graphically, even in great detail. The tool is seen as a foundation element that enables many types of research and analysis to be done more quickly and at finer levels of detail. Some common applications include thematic mapping, transportation planning and least-cost travel routes.

GIS. While TIGER files contain the digital information needed to make maps, more specialized software is needed to merge the files with census and other data, and to actually produce maps from them. The privately produced software programs needed to do so are known generally as Geographic Information Systems (there are several brand names). A GIS is any information system that is designed to work with data (e.g., demographic, economic, land use, and public infrastructure) that is referenced to spatial or geographic coordinates, usually to automate many tasks of mapmaking. TIGER files and GIS systems require fairly specialized training and equipment, which makes using them difficult for non-specialists to use. Most states' Data Center networks make some type of GIS resources accessible to local leaders.

Several SDC managers note that general fiscal austerity is among the main determinants of how much assistance is made available through their programs. Ironically, this makes upgrading services difficult just as the Decennial Census has become a much more powerful tool for understanding rural conditions.

Economic Censuses

While the Census of Population includes economic information concerning income, industry, and occupation (all available in detail to the block group level), its unit of analysis is the individual person. Often, economic development planners and strategists need information about groups of businesses: their size, average wages, location, sales, and

income. The Economic Censuses are the other major product of the Census Bureau. Economic Censuses are conducted separately twice per decade (in years ending in 2 and 7). While the Census of Population and Housing considers individuals, families, and household, the economic census considers business establishments. (The term *establishments* refers to each physical location where business is conducted. Each establishment is counted separately, not each business.) The information is reported in several publications covering different sectors including Manufacturing, Retail Trade, Service Industries, Wholesale Trade, Mineral Industries, Construction, and Transportation Industries.

Two regular series of the economic censuses provide the greatest level of geographic detail.²⁹ The *Geographic Area Series* is published for each of several industrial sectors; in many cases, down to the town level, twice per decade (Figure 3.12). *County Business Patterns* tracks conditions of business and industry in counties on an annual basis. But finding industry-specific information for rural places can be complicated. Since the Census Bureau is obligated to protect the confidentiality of individual businesses, information must be aggregated into geographic or industrial blocks that are large enough to obscure the report of any one firm.³⁰ The result is that users must often choose between industrial and geographic detail.

Researchers interested in examining business trends in sparsely populated areas often build a composite picture from several sources, including Census, BEA, and BLS data, with local area surveys of their own. Since staff of the State Employment Security Agencies face these problems on a day-to-day basis, they are often the best starting point for those wondering what is available by way of local, sector-specific research.

Figure 3.12
Geographic Detail in the Economic Censuses

Guide to the 1987 Economic Censuses and Related Statistics, EC87-R-2, U.S. Department of Commerce, Bureau of the Census, January 1990.

<u>Economic Censuses and Publication Series</u>	<u>Counties</u>	<u>Places of 2500 and more</u>
Retail Trade		
Geographic Area Series	300 establishments	300 establishments
Nonemployer Statistics	all	all
Wholesale Trade		
Geographic Area Series	200 establishments	200 establishments
Service Industries		
Geographic Area Series	350 establishments	350 establishments
Nonemployer Statistics	all	all
Transportation	unavailable	unavailable
Manufacturers		
Geographic Area Series	450 employees	450 employees
Location of Mfg. Plants	all	all
Mineral Industries		
Geographic Area Series	100 employees	unavailable
Construction Industries		
Geographic Area Series	unavailable	unavailable

Industry sector detail at the county and place level is presented in the following publications of the Economic Censuses. For smaller places, however, confidentiality requirements limit the availability of detailed information. The table lists different thresholds that must be met before data can be made generally available. In some cases, there are no restrictions.

Other Census Bureau Products and Services

In addition to the Decennial Census of the Population (conducted every decade) and the Economic Censuses (conducted twice per decade on years ending in 2 and 7), the Census Bureau offers other services and surveys, all of which are either provided directly by State Data Centers, or can be accessed through these offices.

User Defined Areas Program. The program builds custom data reports from the 1990 Census of Population and Housing data for geographic areas different from those in the published reports. Through the program, the Census Bureau provides a standard set of statistical tables, explanatory text, and maps showing demographic, social, economic, and housing characteristics from the 1990 census for census blocks defined by data users. Fees are charged for preparing the data tables and maps, with cost depending on size of the area. (For an area the size of an average U.S. county, the service would cost less than \$500.) Most State Data Centers provide some similar services; others can help in using this program.

Public Use Micro Data Files. The files contain the full responses of five percent of the Decennial Census of the Population in geographic groupings of 100,000 people. Individuals can use the files to answer questions requiring detail not given in published summaries, or to examine the correlations between different questions contained in Census of the Population's partial sample. The files for the 1990 Census will be available to State Data Centers in 1993.

Current Population Survey. The survey updates the Decennial Census of Population monthly through nation-wide samples of 60,000 people. Its main purpose is to collect national employment and unemployment data, which is published by the Bureau of Labor Statistics.

County Business Patterns. The annual reports provide updates for all industries to supplement the twice-per-decade economic censuses with county-by-county estimates. Other annual economic surveys track monthly retail sales and new construction.

Consumer Expenditure Survey. The survey is conducted continuously for the Bureau of Labor Statistics to track prices and spending patterns around the nation. Data from this survey are used to calculate the Consumer Price Index.

Survey of Income and Program Participation. The survey provides information about the population to government agencies, examining shifts in people's economic status and their use of federal resources.

American Housing Survey. The survey is taken for the Department of Housing and Urban Development every other year. The survey questions 50,000 households, gathering information about housing and the people who live in them. The focus is on metropolitan areas.

Since most of these specialized surveys base their information on relatively small samples, they provide generally less useful information to people interested in specific rural places than to those concerned with metropolitan areas, sub-state regions, states, or the nation as a whole.

National

A large staff of subject area specialists in the Census Bureau's Data User Services Division is available to advise on all types of technical and non-technical questions regarding census data. (A free telephone contact list of subject specialists is available from the Data User Services Division or from State Data Centers.) In addition to advice, counsel, and many technical services, the division can often release census data before it is published, helping to shorten the long delay between the time information is collected and when it is available.

The division also writes short, informative works designed to provide more detail about the products and systems of the Census Bureau. The publications typically review the basic reports and explain how to get more detailed information than is provided in printed reports, giving practical examples of applications. Recent publications for community and business development leaders include:

- *Census ABC's; Applications in Business and Community*, 1989
- *Census '90 Basics*, 1990
- *Tiger: The Coast to Coast Digital Map Base*, 1990.

The Seattle field office of the Census Bureau supports the State Data Centers in seven Northwest states by maintaining a library and public reference center, and giving trainings throughout the region. The division can provide data and help interpret it, and can help users navigate Census Bureau services, but the office has no charter to provide counsel to individual public-sector users wishing to develop and implement local research.

*Data User Services Division
or Customer Services Division
(for publications)
Bureau of the Census
U.S. Department of Commerce
Washington, DC 20233
301-763-4100*

*Census Bureau, Field Division
101 Stewart St., Suite 500
Seattle, WA 98101
208-728-5314*

Kathryn Lizik
Research and Analysis Division
Department of Labor
P.O. Box 25504
Juneau, AK 99802-5504
907-465-4500

Alaska

Most users of Alaska's SDC find help in this one office, a division of the Department of Labor. The division is a centralized source for data gathering and analysis that includes the SDC and such other programs such as the Bureau of Labor Statistics and the Bureau of Economic Analysis. Alaska's data and analytical support services are the most centralized of the Northwest states. In a state defined by a small population and large land mass, this is appropriate, since few local and regional organizations have in-house capacity to undertake detailed analysis. There are exceptions. Fairbanks, Anchorage, and some borough governments maintain their own planning and research departments.

Five user-services professionals are included in the department's staff of forty. They provide aid in developing research questions and undertaking custom research on population, economic, and labor trends on behalf of local groups. Among the resources made available are TIGER line files and Geographic Information Systems. The division charges for its services after the first six hours, with fees based on staff and computer time.

Alan Porter
Information Services Section
Department of Commerce
700 West State St.
State Capitol Building
Room 108
Boise, ID 83720
208-334-2470

Idaho

Idaho's State Data Center responds to citizen inquiries and acts as information liaison for many business and community development programs of the Idaho Department of Commerce. The center publishes many periodicals — profiling counties, cities, and communities around the state — drawing from the Census Bureau and many other data sources. It is the main contact for the Department's Start-A-Business Center. Of particular significance to smaller communities are the community economic profiles it prepares for rural groups participating in the Gem Communities Program.

Paul Zelus
Center for Business Research and Services
Idaho State University
Pocatello, ID 83209-8450
208-236-3049

The Center for Business Research and Services at Idaho State University is a key SDC resource for technical analysis. It gathers (and provides assistance on) social and economic data from many sources. Public services include TIGER files and GIS services. Custom analysis and mapmaking of local and business conditions are carried out, with fees assessed for some services on a cost recovery basis. The Center has conducted training sessions, and helped establish within each regional Economic Development Council a computer database containing the most detailed social and economic information available for the region. The Center also operates the *Idaho Data Hotline* to provide quick answers to businesses, communities, and economic development leaders.

Substantial training and support given to SDC program affiliates and the state's regional development organizations make them valuable first contacts for local groups needing basic help finding information and refining their research questions.

Montana

Montana's Census and Economic Information Center distributes many types of social and economic data beyond that provided by the Census Bureau. Among its regular publications is a County Profiles series. Although fiscal constraints have limited funds used to print the current edition of County Profiles, social and economic statistical compendia prepared for each county are available upon request. The SDC also publishes selected data on the Department's public information computer network, the Montana SBDC Business Information System. The Center does not offer mapping and Geographic Information Systems. Staff of the SDC do help local organizations assemble community profiles, often in the context of the Department of Commerce's Certified Communities program.

The state has taken advantage of the Business and Industry Data Center pilot program to set up and train regional economic development leaders as local sources of information on specialized economic and business matters. For local groups needing aid in devising local information activities, these contacts provide a good starting place.

The Bureau of Business and Economic Research tracks conditions in the state's prominent industries, including agriculture, forest products, health care, and tourism. Each year, the BBER conducts a series of economic outlook seminars that forecast conditions in each of three regions of the state. It also summarizes its work on regional and industrial trends in its periodical, *Montana Business Quarterly*. The group is well known for using economic base analysis to estimate how growth or decline in one industry may affect state and sub-state regional conditions. The bureau has more recently become active in the development of regional trade and transportation corridors, making it a valuable resource for those undertaking initiatives in these topical areas. Thus, while the Bureau's talents are relatively specialized, it has substantial analytical capacity and a willingness to share it. The BBER also conducts specialized studies for business and community leaders, often on a fee-for-service basis.

Patricia Roberts
Census and Economic Information Center
Montana Department of Commerce
1424 Ninth St.
Helena, MT 59620-0401
406-444-2896

Jim Sylvester
Statistician
Bureau of Business and Economic Research
University of Montana
Missoula, MT 59812
406-243-5113

Oregon

Dr. Maria Wilson-Figueroa
Center for Population Research and Census
Portland State University
P.O. Box 751
Portland, OR 97207-0751
503-725-3922

Annette Johnson
Craig Smith
Regional Services Institute
Eastern Oregon State College
8th and K Avenues
La Grande, OR 97850
503-962-3792

Art Ayre
Oregon Economic Development Department
775 Summer St. NE
Salem, OR 97310
503-373-1200

Among data centers in the Northwest states, Oregon's is the most decentralized. This is reflected in the relatively narrow focus of the lead agency, Portland State University's Center for Population Research and Census. The Center's specialty is population, not economic research, and its main policy focus includes problems like school redistricting, public works planning, and public facilities location. Other types of services are likely to be found elsewhere in the state. Geographic Information Systems specialists, for instance, are provided through the Oregon State Service Center for GIS, a unit of the state energy department.

Affiliates of the SDC around the state provide a good starting point for local groups needing basic data help. Particularly noteworthy are groups such as the Regional Services Institute (RSI) at Eastern Oregon State College. This organization and several other SDC affiliates are regional development agencies, and are well tuned to community and economic development problems.

Though not a State Data Center affiliate, the Oregon Economic Development Department works intensively with community and regional development groups who want to undertake local area research. Economists within the department are familiar with the range of options and well able to match local requests with specialists who can help. EDD may be the best central source for those economic development entities wondering where to begin.

Washington

Sharon Estee, Coordinator
Washington State Data Center Network
Office of Financial Management
Insurance Building, Room 320, AQ-44
Olympia, WA 98504-0201
206-586-2504

Annabel Kirschner Cook, Demographer
Department of Rural Sociology
Washington State University
Pullman, WA 99164-0116
509-335-4519

Washington's SDC Network offers an unusual breadth and depth of technical assistance, compared to other Northwest states. At its center is a strong lead agency, within the state Office of Financial Management, which provides many information services, including TIGER and GIS. Among its seven "coordinating agencies" are two that are surprisingly absent in other Northwest states: the Cooperative Extension Service; and the Labor Market and Economic Analysis Division of the Employment Security Department, the primary source in each state for current workforce and employment statistics.

Of particular note to rural leaders is the analytical support offered through the Cooperative Extension Service by demographer Annabel Kirschner Cook and economist Gary Smith. Both bring to their work a distinctly rural perspective and a wealth of experience in understanding and communicating information about smaller communities.

One benefit of the network structure used here is its ability to track a wide variety of analytical efforts. Researchers are encouraged to contact the main office to learn about and draw from work done by SDC affiliates. There is no set system of fees, though most services are available without charge. As with all technical assistance providers, more intensive help tends to be offered on a time-available or a fee-for-service basis.

The Bureau of Labor Statistics and the State Employment Security Agencies

The Bureau of Labor Statistics (BLS) is the branch of the federal Department of Labor that tracks employment conditions throughout the nation. The Bureau routinely contracts many of its information gathering functions to State Employment Security Agencies (SESAs) in the labor departments of each state. Under these contracts, SESAs gather detailed information about jobs, wages, and unemployment. They then compile, analyze, and report this information. Commonly, the states use these same agencies to track and report economic conditions in greater detail for substate areas and industrial groups. They also support local Private Industry Councils, which anticipate and respond to local job training needs under the Job Training Partnership Act. Most SESAs, including all those in the Northwest states, respond to public inquiries and may undertake projects directly for local units of government. Their substantial technical capacity makes them a key resource for people who want to track trends in local employment, income, and industry.

There are two significant differences between SESAs and State Data Centers. First, while the State Data Centers' charter establishes them as a distribution network for Census Bureau information, SESAs primarily focus on gathering and analysis of information. Second, while SDCs receive no federal financial support, SESAs receive a large share of their operating budgets from the federal government and, in turn, must adhere to a rigid delivery schedule. The result is that, while both these organizations may help local groups, they offer very different types of help. SDCs are client responsive; SESAs are more project oriented. SDCs work more like technical libraries; SESAs like laboratories.

The main purview of SESAs is labor market economics. The field is concerned with tracking the creation of jobs according to industrial, occupational, and regional categories. This information is updated more often than the census (at least annually, and in many cases on a monthly basis) and is based on smaller samples of the population. Researchers in the public and private sectors alike use BLS data to:

- Track regional trends in individual industries and sub-sectors.
- Anticipate the demand for workers in various occupational and skill groups.
- Compare wage rates and earnings among regional, industrial, occupational, and demographic groups.
- Assess the changing mix of income sources — from wages, transfer payments, and earnings from investments.

For researchers needing to compare information in regions covering more than one state, the methodological uniformity of the federally contracted reports is essential. Only two of these provide detailed information about local area conditions. These are the Employment, Wages, and Contributions Report, also known as ES-202, and Local Area Employment and Unemployment Statistics.

BLSs and the SESAs in each state must comply with confidentiality requirements similar to those of the Census Bureau. Local researchers seeking information about specific industry categories often find that they must expand either their regional or their sectoral scope. A second limiting factor is that most information is estimated from samples that are

Targeting. *Among economic analysts, State Employment Security Agencies are the only entity that works on technical problems of economic analysis continually in all parts of every state. As such, they are important sources of information about what local economic research already available. Groups needing intensive assistance on project development and information gathering may find SESAs too specialized. Those with technical questions, especially concerning industrial and occupational employment conditions, will find SESAs a rich source of expertise.*

Achieving scale. *Their principal means of information distribution is through publication of data and analysis. Increasingly, the agencies use electronic media, such as diskettes and computer bulletin boards, to distribute information. In most states, regional staff economists are located around the state. All SESAs have programmed linkages to Private Industry Councils and Job Services, and they are regularly available to advise these and other local offices.*

Costs and requirements. *Most products of the SESAs are provided to citizens at little or no cost. The detailed analysis and interpretation, when done, are often done routinely for an agency or regular publication. Customized project work may be completed for local groups on a fee-for-service basis.*

relatively small compared to Census Bureau surveys. This decreases slightly the confidence that can be placed on estimates relating to specific localities and subsectors.

Services and Facilities

Some of the standard federal reports prepared for the BLS, and other analyses, are listed in Figure 3.13. Products and services unique to each of the Northwest states are also noted. The core activities of SESAs are very similar from state to state:

Data gathering. Commonly, specialists well understand what research is already available by way of regional, industrial, and occupational research; what further inquiries could be carried out; and the costs and procedures involved in conducting research. Their technical orientation will be most useful to people with a good grasp of the questions they need to answer.

Computers and analysis. Computer technologies are constantly improving SESAs' ability to integrate information quickly from many sources. Many SESAs now encode their data spatially using Geographic Information Systems. These improvements enable SESAs to respond better to specific requests for planning and analytical support. In Washington, for instance, many counties have turned to the state's SESA for support in comprehensive planning efforts. Many providers undertake detailed custom research on a for-fee basis. Nearly all SESAs will respond to requests for data on hand, providing information in electronic or hard copy form, and offering technical consultations on data use and interpretation.

Regional analysts. Three of the five SESAs in the Northwest deploy staff economists and labor market analysts around the state, where they conduct research and provide counsel to local decision makers. In most states, these regional economists have institutional ties to the Private Industry Councils and other training groups.

Publishing. In addition to publications done on contract to the BLS, the SESAs commonly print a wide variety of newsletters, periodic reports, and special analyses. Most have a technical orientation, concentrating more on data than analysis and interpretation. All state offices will provide publication lists and program descriptions upon request.

Figure 3.13
Bureau of Labor Statistics-
Sponsored Research of the State
Employment Security Agencies

Current Employment Statistics. Total employment, hours worked, and earnings are estimated on a monthly basis, based on state-wide surveys covering every major industrial group except agriculture. Many states dig deeper to analyze trends, make projections, and track economic conditions in substate regions.

Local Area Unemployment Statistics. Unemployment rates are figured monthly, in regional detail down to the local area. The estimates are based on an analysis of information gathered through unemployment insurance claims and current employment statistics.

Employment, Wages, and Contributions (ES-202). Employment and earnings information is gathered annually from all firms whose employees are covered by the federal Unemployment Insurance program. (Those not covered by UI, and therefore missing from this data, include government agencies, one-person or family firms, many agricultural employees, and non-profits.) The information base provides the most detailed picture available of employment by industry, in detail down to the site location. Confidentiality restrictions make this information available only in units large enough to obscure the identity of any single employer.

Occupational Employment Statistics. This report identifies the number of jobs in many different occupations in with major industrial categories, based on an annual sample of firms. Five-year projections of occupational openings expected, due to job growth and replacement of workers, are made. Since the information portrays the demand side of the labor market equation, it is often used by training, education, and vocational institutions, as well as by policy makers.

Mass Layoff Statistics. Information is gathered from any firm that lays off 20 or more employees for more than 30 days. The information is subject to confidentiality restrictions, so may be accessible only for major industrial and geographic groupings.

Publications and studies not contracted by the federal governments, but common to most SESAs, include:

Occupational Wage Norms. Almost every state makes detailed estimates of wage rates commonly paid by local employers in hundreds of occupational categories. These are often used to inform wage bargaining, and to support decision making by prospective firms.

Economic Profiles. Economic profiles giving historic employment trends, wages by occupation, and other items of interest, often prepared for the service region of each Job Service office. The publications usually written as a briefing piece for people new to the area.

Demographic Profiles. Publications drawing together occupational, social and economic characteristics, as well as population and labor force projections are prepared in many SESAs, principally as a planning tool for public leaders.

County Profiles. Statistical overviews of social and economic conditions in each county are periodically prepared in almost every state, by either the SESA or the State Data Centers.

Monthly Economic Updates. Key statistics on current economic indicators, such as employment and unemployment by county and major industry. These are reported in short form by every state on a monthly basis. Some states provide some text analyzing the current figures in the context of a newsletter on labor trends.

The View from the Northwest States

Alaska

Kathryn Lizik
Research and Analysis Division
Department of Labor
P.O. Box 25504
Juneau, AK 99802-5504
907-465-4500

Centralized and integrated with the State Data Center program, Alaska's office provides assistance to localities on problems of social and economic research that range from basic to highly technical. It taps all the major sources of social and economic information. Unlike most, the program has established a system of user fees. Among its special publications are *Alaska Economic Trends*, a monthly magazine which focuses on interpretive analysis of current conditions.

Idaho

James L. Adams, Chief
Research and Analysis
Idaho Department of Employment
317 Main St.
Boise, ID 83735
208-334-6169

Seven labor market analysts are located around the state and regularly advise local elected leaders, economic development professionals, and training councils. Among its special activities, the bureau projects demand for seasonal and migrant agricultural workers, to support decision making on hiring and housing. Unlike most, the bureau prepares monthly *preliminary* estimates of employment and unemployment for the state and some subregions.

Montana

Bob Rafferty, Bureau Chief
Research and Analysis
Department of Labor
P.O. Box 1728
Helena, MT 59627-1728
406-444-2430

The bureau's 26 staff are all located in the Helena office. Information is channeled to local areas through the State's Business and Industry Data Centers. Its special research includes tracking business births and deaths in subregions of the state. The monthly report of current economic conditions, *Statistics in Brief*, is compact and useful.

Oregon

Tom Lynch, Manager
Research and Statistics
Oregon Employment Security Department
875 Union St. NE
Salem, OR 97311
503-378-8656

Nine regional specialists located around the state work closely with many local development groups. Among their publications, the *Oregon Industrial Outlook* is particularly notable. The work analyzes over 300 industries, and considers occupational and regional trends. Their introductory report, *Labor Market Information Directory*, goes well beyond reviewing the basic publications of the agency to include information about the specialties of research and analysis specialists throughout the state.

Washington

Washington also has nine regional specialists located around the state. Among the state's publications are some that include an unusually detailed interpretive analysis. The quarterly *LMI Review* provides in-depth articles on current conditions in a journal format. *County Profiles* are prepared periodically for each county and published individually. In addition to covering historic social and economic trends, the profiles include shift-share analyses for industries significant to each county.

Washington is the only Northwest state that posts much of its data on a free electronic bulletin board, the *LMI Electronic Bulletin Board Service*. Users dialing the system from a modem-equipped desktop computer can download many of the files directly. Both the *County Profiles* and the *LMI Review* are available in this manner.

Gary Bedeutsch, Director
Labor Market & Economic Analysis Branch
Employment Security Department
P.O. Box 9046
Olympia, WA 98507-9046
206-438-4804

Labor Market Information Electronic
Bulletin Board Service
206-438-3177
800-422-7075 (in Washington)

Other Resources

Regional Economic Information System

The Bureau of Economic Analysis publishes two annual reports that are widely used in local economic analysis:

Local Area Personal Income provides annual information about personal income for every county. The report is useful in tracking changes in per capita income and the income sources (e.g., wage and salary, investment and interest income, retirement payments).

Survey of Current Business reports monthly data on personal income by county, and employment and consumer and producer price indexes.

These reports are distributed to *BEA User Groups* in each state. Many State Data Centers and the State Employment Security Agencies listed above are designated BEA User Groups, and can provide this data at little or no cost. The other major distribution channel is the agency's *Regional Economic Information System*. For a fee, the REIS will provide reports and data directly to individuals. Potential users can request a the user's guide to BEA information, a listing of BEA User Groups, and periodic notices of the office's research reports.

Regional Economic Information System
Bureau of Economic Analysis
Department of Commerce
1110 Vermont Ave NW
Washington, DC 20230
202-254-6630

The Center for Agricultural and Rural Development

Center for Agricultural and Rural
Development
568 Heady Hall
Iowa State University
Ames, Iowa 50011
515-294-1183

This organization has published several useful short reports for rural researchers. Among them:

Profiling Rural America: A Guide to Data Sources and Analytical Techniques (1991-TR-21)

Traditional and Non-traditional Data as Indicators of Economic Activity (1990-SR-40)

Measuring Dynamic Patterns in the Structure of Sub-state Economies (1990-SR-41).

This series of reports, prepared in collaboration with the Center for Policy Research at the National Governor's Association, emphasizes approaches that states are (or could be) taking to understand the conditions and challenges in their rural areas. Each publication presents tools and advocates improvements in the way states track and respond to rural conditions. Leaders at the local or subregional levels will find useful information in them for undertaking economic analysis of their own.

State Economic Development Information Systems (1991-SR55), by Sheila A. Martin, Richard McHugh, and Stanley R. Johnson. August 1991.

This monograph presents the results of a survey of state economic development information systems. The comparative review looks nation-wide at systems from many angles, including quality of system, user support, content, and information. The resulting analysis concludes that "a clear definition of goals, cooperation among state agencies, and communication with the targeted users" are keys to the success of any economic development data system. The work provides a good base of information for a detailed assessment of any state's information system.

Economic Research Service

Economic Research Service
U.S. Department of Agriculture
Information Division (Attn: Publications)
1301 New York Ave. NW
Washington, DC 20005
800-999-6779 or 202-219-0515

The ERS employs first-rate researchers in many subspecialties of rural and agricultural development. While their primary work has a national and regional scope, they are available to advise and consult on a wide range of research questions. The service's main topical categories include rural economic adjustment problems; trends in rural population, employment and housing; economic use, conservation, and development of natural resources; the production and marketing of major agricultural commodities; foreign agriculture and trade; and other categories. A full listing of subject specialties is listed in the document, *Information Contacts and Periodicals*, available from the ERS Information Division.

Rural and Small Town America by Glenn V. Fugitt, David L. Brown, and Calvin L. Beale Russell Sage Foundation, New York, 1989.

Written by three leading analysts of the rural landscape, the book gives a thorough picture of rural America and how it is changing, using census information up to 1980. Even though it relies on Census data that is more than ten years old, this book is thick with ideas. Using it, local leaders can get quick baseline information on a wide variety of measures of national and regional non-metropolitan norms. It may also provide models for those who want to tease meaning from mountains of census data. Among its findings, the report presents evidence that population density alone (how "rural" a place is) is critical to understanding key issues of economic vitality, patterns of aging, distribution of poverty, and industrial and employment opportunities.

Rural Information Center

Established in 1987, the library was developed by the Cooperative Extension Service and the National Agricultural Library to improve access to information by rural people. The Center responds to specific inquiries on topics including assistance in economic revitalization, local government planning, funding sources, educational workshops, research studies, and other issues related to maintaining the quality of rural life. Its principal services involve locating and delivering documents to users, which it does using a nationwide, computerized information system. Requests may be filled by interlibrary lending, photocopies, and reproductions from microfilm. Some services, such as microfilm reproduction, involve minimal fees needed to recover costs. The library can be accessed through state and county Extension System offices.

*Rural Information Center
National Agricultural Library
Room 304
Beltsville, MD 20705
800-633-7701 or 301-344-2547*

Local Economic Development Information Library. Washington's Extension Service has formed its own rural economic development library that makes smart use of the Rural Information Center (listed above) in addition to maintaining an economic development library in its own right. Like the National Agricultural Library, the LEDIL does document searches in response to specific requests and can help provide rural people access to them. It is available for public use.

*Nancy Sanders
Economic Development Information Library
Washington State University
Room 323-B Hulbert Hall
Pullman, WA 99164-6236
509-335-2929*

Other State Agency Information Services

Population, economic, and housing data are three important categories of information that communities may need, but there are many other types of specialized analytical support.

Agricultural and forestry statistics can be found through the logical departments of colleges, universities and state government. Information about national and international markets can be found through the U.S. Department of Agriculture's Economic Research Service.

Industrial forecasts are prepared on an annual basis nationally by the Department of Commerce (see the annual report, the *U.S. Industrial Outlook*) and are often conducted with a more regional focus by bureaus for business research in each state's university and at the state government level. Also, the Economic Research Service (listed below) has specialists who can advise practitioners where to find current information about many natural resource and other dominantly rural industries.

Export/import figures are tracked by commodity, port of exit, and country of destination by the Department of Commerce. Information for different commodities is released throughout the year.

Planning and financing information for local governments and their public works are provided by federal and state agencies, as well as by some university and Extension programs.

Land use and other planning support systems often draw from demographic and economic research systems to support local activities. County planning staff are experienced users of this information, and are a good first stop for community leaders interested in getting a handle on local sources. State departments of natural resources are also a good information source.

Development Directories: What, Where and How Much?

Questions assistance directories often answer:

- Program goals
- Eligible participants: individual, business, local government, non-profit, state
- Type of assistance: financial, technical assistance, other support
- Service region
- Contact information

Questions assistance directories sometimes answer:

- Budget size and trends
- Application process and deadlines
- Costs, such as matching funds or sponsorship needed
- Requirements of users before and after assistance

Questions assistance directories rarely answer:

- Numbers of clients served in a year
- Measurable impacts of the services
- Referrals to past program participants
- Descriptions of what is commonly done, for how long, and with what result
- Descriptions of typical or targeted program users
- How and why services are changing
- Detailed selection criteria
- How services are made accessible in small towns and rural areas

Finding what assistance is available is an early action step of many local development groups. Often, this is taken as a charge to catalog exhaustively the various sources of help. In fact, there are already ample listings of service providers. This section is, in essence, a directory of directories and the service listings now available. Local practitioners are wise to use these sources as they search for allies and services that are at once accessible and useful to local people.

There's good news and bad news here. The good news is that there are many potential partners — many more, in general, than most community leaders engage. State, federal, not-for-profit groups, and university agencies may offer valuable technical expertise, training seminars, programs, and supporting services. If local leaders can successfully identify common interests, any of these can strengthen the local team and greatly expand the range of what local efforts can do.

The bad news is that some of these players do not indicate at the outset when their work doesn't match local objectives. Phrases like "all may apply" and "we serve everybody" are almost never true. A successful search for partners begins with an accurate assessment of what is needed and a flexible idea of how local needs can be fulfilled. Local leaders must also know enough about what they need to recognize good luck when it comes in an unexpected form.

The directories reviewed here are presented in four groups. First are those prepared by state agencies principally as a review of state services, though most also review federal, university, and local organizations as well. The second group are directories prepared by non-governmental entities focusing on resources within the region. Third, are directories prepared by federal agencies and non-governmental groups alike with a national scope. Finally, a sampling of more specialized directories is presented; these are focused on specific industrial sectors.

All of the sources included here are both available and current, and all identify assistance providers that may be of interest to rural development leaders in the Northwest. Beyond this, they differ dramatically in terms of their scope, their thoroughness, and the types of questions they answer regarding how the programs really work. The single best clue to their usefulness may be the degree to which the directories recognize and meet the needs of an audience that is explicitly defined in advance.

State Directories:

Prepared by state governments
reviewing local organizations and
services offered

Doing Business in Oregon,

June 1991, Oregon Economic Development Department,
Business Development Division.

Oregon's economic development service directory is written and organized for business readers. The first section walks the reader through decision points in starting a business; referrals to state services that can help in these steps are only briefly covered. Other sections consider families of needs that cut across agency lines on topics such as business assistance, tax incentives, and regulation. These sections follow a form that is common to all the state-prepared directories — program services and requirements are briefly described. The phone book listing all types of economic development entities is reserved to the end. 44 pages. Free.

Order from:

*Oregon Economic Development Department
Business Development Division
775 Summer St. NE
Salem, OR 97310
503-373-1200*

Gem Community Certification Manual,

1989, Idaho Department of Commerce.

Although this manual was designed mainly as a program orientation and community strategic planning guide, resource sections provide sufficient references and contact information to keep this notebook handy after the training is over. Assistance resources are listed that could help in several strategy areas, including infrastructure, business retention and expansion, value added production, market expansion, recruitment, and business creation. 110 pages. Free, or \$10 outside the state.

Order from:

*Greg Seibert
Idaho Department of Commerce
700 West State Street
Boise, ID 83720
208-334-2470*

Economic Development Resource Guide: A Directory of Economic Assistance for Communities,

(Seventh Edition) June 1992.

Alaska Department of Community and Regional Affairs.

This directory is designed to help Alaska's rural community leaders match local strategic priorities with existing program resources which could support their efforts. Its format is like many other basic directories, providing brief information about the goals, services, costs, and contact of each of a hundred different entities. Its organization (by type of community need) and target audiences (community leaders) make it quite distinctive from most other directories (most reflect either business needs or agency structure.) Federal agencies and national non-profits, state agencies and state non-profit corporations are listed according to the needs they address, such as public works, business incentives, and day care. Status and comments sections include tips to help local leaders to anticipate whether the organizations' programs truly match local objectives. Hints like these, and annual updates, help make this simple directory among the best for small community leaders. 100 pages. Available for free within Alaska; \$7.50 outside the state.

Order from:

*Joanne Erskine
Department of Community and
Regional Affairs
Rural Development Division
Box BC
Juneau, AK 99811
907-465-4890*

Order from:

*Business Development Division
Montana Department of Commerce
1424 Ninth Avenue
Helena, MT 59620,
406-444-3923*

Order from:

*Washington Business Assistance Center
Department of Trade and Economic
Development
919 Lakeridge Way SW, Suite A
Olympia, WA 98504-2516
206-753-5632 or
800-237-1233*

Order from:

*Idaho Department of Commerce
700 West State Street
Boise, ID 83720
208-334-2470*

Order from:

*Mark Lofthus, Director
Rural Development Board
Minnesota Department of Trade and
Economic Development
900 American Center Building
150 East Kellogg Boulevard
St. Paul, MN 55101-1421
612-296-5005*

A Guide to Montana's Economic Development and Business Development Programs,

1990, Montana Department of Commerce.

Montana's directory of economic development services and organizations provides an agency-by-agency overview of the many programs supporting economic vitality in that state. It provides a quick and quite comprehensive orientation to the state's many federal, state, local, and non-profit entities that are involved in supporting local economic development in the state. 40 pages. Free to businesses and development leaders.

1990 Directory of Business Assistance Programs in Washington State,

Washington Business Assistance Center,
Department of Trade and Economic Development.

Washington's directory of economic development services and groups briefly but comprehensively describes the activities of federal, state, university, and local entities in Washington whose services intersect with the world of community and business development. Services are listed department-by-department. 62 pages. Free to businesses and Washington economic development leaders.

Starting a Business in Idaho,

1988, Idaho Department of Commerce.

This is the business person's quick guide to permits, licenses, and regulations, and business assistance services in Idaho. It is organized around a flowchart of nine questions that are common concerns of new businesses, such as, "Is your business required to have a permit or license?" The text is spare; just enough to steer readers to the right agency. 29 pages. Free to businesses.

Rural Investment Guide: Programs and Policies for Rural Minnesota,

1992, Minnesota Department of Trade and Economic
Development.

Though directed toward Minnesota residents, this guide is included because it may be the most thorough of all state-prepared guides to rural resources, and the most polished. It is updated annually to assist leaders in developing and evaluating state rural development programs, but is also in strong demand among rural leaders, as well it should be. In three parts, the work presents issues and success factors to rural community and economic development; presents detailed information about social and economic conditions in six subregions of the state; and summarizes, by function, all state agency programs. The work covers all Minnesota except the Minneapolis - St. Paul area. 235 pages. Free.

Non-governmental Directories:

Prepared by non-governmental
groups reviewing resources
available within the state or region

Community Services Menu,

1991, Rural Community Revitalization Project. Idaho State University.

This briefest of "guides" is more aptly called a "menu." Services available from Idaho State University are condensed down to one page. Included are community and economic development programs, university programs, and "specialized/unique" programs. Interested leaders can contact the Center for Rural Economic Development to find out more. 1 page. Free.

Order from:

*Robert Chambers
Center for Rural Economic Development
Campus Box 8018
Pocatello, ID 83209-8018
206-236-2936*

Nothing Ventured, Nothing Gained: The Montana Entrepreneur's Guide,

1990, Paul Larson. University of Montana.

This book, a primer on creating and succeeding at an entrepreneurial business, contains a 65-page directory of small business resources. The section gives basic program information for financial and business management assistance providers in Montana, including federal, state, local, and educational institutions. As a business guide, the book is a popular and practical resource for beginning entrepreneurs and business assistance providers alike. 289 pages. \$19.95.

Order from:

*Montana Entrepreneurs' Guide
8685 Jacot Lane
Missoula, MT 59802
800-243-6840*

Northwest Resources for Regional Collaboration,

July 1990, Northwest Policy Center.

This report presents 49 examples of intergovernmental cooperation among Northwest state and provincial governments in three policy areas: economic development, human resources, and natural resources. Each example includes a one-page brief history of the organizations that covers structure, funding, activities, and future directions. Introductions to each of the three sections specify strengths and weaknesses and identify policy areas in which interstate collaboration may be both possible and desirable. Included in the survey are Alaska, Idaho, Montana, Oregon, Washington, Alberta, and British Columbia. 91 pages. \$12.95.

Order from:

*Northwest Policy Center
327 Parrington Hall, DC-14
University of Washington
Seattle, WA 98195
206-543-7900*

The Rural Small Business Resource Directory. Idaho, Montana, Oregon, and Washington,

(Separate Editions). 1992, U S West Foundation.

Finding out what organizations are "out there," and what they do to support small business vitality is the goal of these thorough business assistance directories. In three sections, the directories (1) map organizations that offer business assistance according to county and services, (2) describe local business support groups and how they allocate their time (by type of service and type of business client), and (3) outline state and federal programs that help small businesses. All this bears the stamp of the Midwest Research Institute's Margaret Thomas, who has been chief researcher for a stack of useful works. The guides have been prepared for each state served by US West Communications, in a project funded by the company's foundation, and its new Rural Economic Vitality Initiative, REVive. The guides come with a promise that they will be kept up-to-date, and that comparable directories covering financial resources are on the way. About 75 pages. Free.

Order from:

Larry Nash
US West Foundation
7800 East Orchard Road, Suite 300
Englewood, CO 80111
303-793-6661.

*Also available from contacts in each state,
listed in Figure 3.10 page 98.*

State Agency Assistance for Local Governments,

1992, Association of Washington Cities.

As Washington's most comprehensive directory of state agency technical and financial assistance, this guide will be useful to those who need to assess what is available in Washington in all areas of local government. The guide gives one-page outlines for 244 state programs, touching on eligible applicants, goals, application and award procedures, financial information, and financial and other requirements placed on users. The latest edition includes a workbook on how to write a successful proposal. It is updated annually. 244 pages, plus appendices and indexes. \$30.

Order from:

Association of Washington Cities
1076 South Franklin
Olympia, WA 98501
206-753-4137

National Directories:
Prepared by federal agencies and
non-governmental groups with a
national scope

Catalog of Federal Domestic Assistance,
Office of Management and Budget
and the General Services Administration.

This hefty catalog makes basic information about *all* federal domestic programs as accessible as it can be. The work uses multiple indexes organized by agency, function, subject, applicant and deadlines to help users sift through the huge array of domestic assistance programs, to find the ones that fit. Each entry gives a concise description of objectives, types of assistance, uses and restrictions, a three-year budget history, lists literature available and quite a bit more. The computerized version of this catalog, the *Federal Assistance Programs Retrieval System*, is another option. Searches using this system are available, free of charge, as one of the many valuable services of the National Agricultural Library. Interested parties can call them directly, or go through their state Cooperative Extension Service. The catalog is on hand at any government depository library. It is updated annually. About 1500 pages. \$38.

Order from:
Superintendent of Documents
Government Printing Office
Washington, DC 20402
202-783-3228

For FAPRS searches, contact:
Rural Information Center
National Agricultural Library
800-633-7701

**The Guide to State and Federal Resources for
Economic Development.**

1988. Charles Bartsch, Senior Editor. Northeast Midwest Institute.

The tone and content of this book suggests that it is written for the architects and managers of economic development programs at every level. It includes a level of detail lacking in many guides that helps make this a source of information about how programs really work. The first part of the book presents detailed case studies of economic development efforts, including 60 state programs, and 400 briefs on other state efforts. These are examined in eight broad categories: business development, finance, targeted development, infrastructure, cooperative research and technology centers, trade, training, and tax incentives. If, as Charles Bartsch writes, "a good model is the best teacher," then this first half of the guide may be a good teacher indeed.

The book's second half emphasizes the major federal development programs in a review that goes well beyond program description to outline spending trends, current legislative and regulatory issues. In each case, the federal program overviews include a state-by-state analysis of where the money goes that is the trademark of this policy institute. The work is a definitive sourcebook of ideas and resources for leaders of development programs. 394 pages. Paperback edition, \$37.50 plus a shipping charge.

Order from:
Northeast-Midwest Institute
218 D Street SE
Washington, DC 20003
202-544-5200

Revitalizing Small Town America: State and Federal Initiatives for Economic Development,

1989, Charles Bartsch, Senior Editor. Northeast Midwest Institute.

While this work is mostly oriented toward economic development as business investment, it is much more than a catalog — it is a thorough and informative guide to state development program models and federal resources. Like the larger *Guide to State and Federal Resources for Economic Development*, it features case studies of state programs in one section, and details federal initiatives in the other. State programs are examined in three broad categories: financial, business development, and business support. Of the 59 state programs described, not all are especially targeted to rural areas, but they do respond to uniquely rural needs. (Their list of rural problems includes difficulties in service delivery, dependence on a few businesses or sectors, lack of leadership support, and disadvantages in telecommunications investment.) The section on federal programs covers federal tax incentives, transportation and labor programs, in addition to reviewing the standard array of federal programs that support economic development. Introductory sections usefully review current thinking about the role and process of economic development in rural areas. 314 pages. Paperback edition, \$28 plus a shipping charge.

Order from:

Northeast-Midwest Institute
as above

State Economic Development: Recent Changes,

1991, Charles Bartsch, Senior Editor. Northeast Midwest Institute.

This companion piece updates and expands upon case studies on state programs presented in the *Guide to State and Federal Resources for Economic Development*, and *Revitalizing Small Town America*. Even as an update, this publication gives more detail about programs in practice than most sources. Case information is presented in eight program areas, including business development, finance, targeted development, infrastructure, cooperative research and technology centers, trade, training, and tax incentives. Each case reviews program mission, updates financial history, tells how programs have progressed, and often includes measurable program results. 121 pages. \$12 plus a shipping charge, or free with the purchase of either of the original volumes.

Order from:

Northeast-Midwest Institute
as above

Federal Economic Development Programs: Recent Changes,

1992, Charles Bartsch, Senior Editor. Northeast Midwest Institute.

This most recent companion piece to the *Guide to State and Federal Resources for Economic Development* and *Revitalizing Small Town America* concentrates on recent changes in federal programs covered in the earlier publications. It builds upon these works with updated information on federal program trends and conditions, and gives a state-by-state analysis of program distributions. [This work is forthcoming this summer.] About 150 pages. \$12 plus a shipping charge.

Order from:

Northeast-Midwest Institute
as above

**Rural Development; Federal Programs that Focus on Rural
America and Its Economic Development,**

1989, Resource, Community, and Economic Development Division,
U.S. General Accounting Office.

This work sets out to examine all federal "rural-development type" programs and to estimate the portion of funds from each program reaching counties with populations under 20,000 in Fiscal Year 1987. It was prepared to aid decision making behind creation of the newly established Rural Development Administration. Four program categories are considered: economic development, agriculture and natural resources, infrastructure, and human resources. Since this analysis lumps all rural counties into one group, it may serve best as a source of baseline data, rather having direct application to particular counties and states. The most enduring portions of the report, as far as state and local leaders are concerned, may be in the appendices. Program briefs are excerpted from the 1988 *Catalog of Federal Domestic Assistance* catalog, and different classification schemes for rural counties are presented. 238 pages. Single copies are free.

Order GAO/RCED-89-56BR from:
General Accounting Office
Box 6015
Gaithersburg, MD 20877
202-275-6241

Special Topics:

A sampling of works on specialized
subjects

**Aquaculture is Agriculture: Draft Directory for Private and
Public Aquaculture and Associated Water Users in the
Pacific Northwest,**

April 1991, Cooperative Extension, Washington State University.

Aquaculture is receiving increased attention as an industry that is at once fast-growing, high value-added, and rural-based. For readers looking for technical contacts in this targeted sector, this is a good place to start. The publication provides a simple listing of university and agency aquaculture specialists from Washington, Idaho, Oregon, and British Columbia. It was first compiled at a conference in December 1989, and has since been expanded and updated. 25 pages. Free.

Order from:
Harry Burcalow
Cooperative Extension
411 Hulbert Hall
Washington State University
Pullman, WA, 99164-6230
509-335-2837

Directory of Economic Development Programs at State Colleges and Universities,

1989, American Association of State Colleges and Universities.

This directory provides brief descriptive information about college-based programs that support local economic development efforts. Included are 382 programs in 170 institutions, including 22 programs from Northwest colleges and universities. Each entry includes comments about goals, activities and innovations, structure, and products, and offers advice of the program directors to others who would follow in their footsteps. The book may be very useful as a sourcebook for university program leaders who are looking for models and peers in a wide variety of public service programs. Unfortunately, limited topical and geographical coverage means that many worthy efforts are not represented at all, making it an incomplete source for people seeking for assistance. Also, the amount and content of the information provided was determined by the programs themselves; it takes a keen eye to differentiate the innovative from the commonplace. 182 pages. Paperback, \$27.25.

Order from:

University Publishing Associates
c/o AASCU Press Order Department
4720-A Boston Way
Lanham, MD 20706
301-459-3366

Flexible Manufacturing Networks: What, Who, Why, and How?

1992, Paul Sommers, Northwest Policy Center, University of Washington

Flexible manufacturing networks are one promising strategy for improving small businesses' ability to compete in world markets. (The strategy is the topic of Chapter 6.) Here is a computer-based document that provides brief, accurate answers to basic questions about networks, such as: What is a flexible network? Why should manufacturers be interested in them? How are they formed?

For those who want to dig deeper, the work presents an annotated bibliography on the topic, profiles of networks that have been established in the U.S., and people you can contact for help and advice. This directory comes in the form of a computer diskette, which can be read by any computer equipped with DOS software. 1 computer disk. \$6.50.

Order from:

Northwest Policy Center
327 Parrington Hall, DC-14
University of Washington
Seattle, WA 98195
206-543-7900

Idaho Specialized Food Processing Feasibility Study,

June 1991, Idaho Economic Development Center.

This targeted-industry analysis examines the need for and wisdom of establishing one or more specialized food processing facilities for shared use by Idaho firms. A variety of specialized resources are identified, including sources of financing and already established commercial kitchens that small food products manufacturers could rent by the day or hour. The report addresses eleven basic technical questions of interest to public and private sector leaders who would consider investing in specialty food processing in Idaho. Among the results, since the report's publication, are establishment of a "kitchen incubator" facility in Sandpoint, Idaho. 50 pages plus appendices. Available for the cost of reproduction.

Order from:

Idaho Economic Development Center
Boise State University
1910 University Drive
Boise, ID 83725
208-385-3767

International Trade: State and Local Resource Directories for Oregon, Washington, Idaho, Alaska, Montana,

International trade directories have been completed in most states, although they are not always readily available. In Washington and Oregon, the Small Business Administration has done comprehensive resource listings, most recent editions being 1990 - 1991. These directories' main thrust is to provide contacts for exporters looking for support services. All types of organizations involved in the world of international trade are described, including agencies, trade associations, banks with international trade offices, insurance and translation service providers. A slimmer SBA directory has been prepared for Alaska. The works are free, but readily available only to exporting businesses and program leaders actively involved in providing export assistance.

In Idaho and Montana, the directories are produced by the state and highlight information provided by firms about goods and services exported, and their destination. In Idaho, information about sources of export assistance are covered in abbreviated form. This directory is updated annually. The recent first edition of Montana's guide focuses exclusively on exporting firms. Free.

Order from:

In Alaska:

*Ron Bellkamp
Small Business Administration
22 West 8th, Number 67
Anchorage, AK 99513-7559
907-871-4838*

In Idaho:

*International Trade Division
Idaho Department of Commerce
700 West State Street
Boise, ID 83720
208-334-2470*

In Oregon:

*Small Business Administration
222 SW Columbia, Suite 500
Portland, Oregon 97201-6605
503-326-5202*

In Montana:

*Montana Department of Commerce
1424 Ninth St.
Helena, MT 59620
406-444-4380*

In Washington:

*Small Business Administration
915 2nd Avenue, Suite 1792
Seattle, WA 98174-1088
206-553-4438*

Recouple: Natural Resource Strategies for Rural Economic Development,

1991. Margaret G. Thomas.

This resource book considers options for generating new local opportunities from natural resources. A detailed strategy for local action is presented in each of three areas: forest resources, agriculture, and tourism and wildlife. Following each of these sections are listings of lead state and federal agencies and an annotated review of related articles and periodicals. Many small community leaders will find the particular strategies presented are so specific that they can't be made to match local conditions. Even so, the book is a rich source of lists, leads, and publications. Any reader seeking to "recouple" community leadership with the natural resource industrial base is bound to find something useful here. 209 pages. \$25.

Order from:

*Midwest Research Institute
425 Volker Boulevard
Kansas City, MO 64110
816-753-7600*

Chapter 3 Notes

- 1 Osha Gray Davidson, *Broken Heartland, The Rise of America's Rural Ghetto*, The Free Press, New York, 1990.
 - 2 David Osborne, Thomas Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, Addison-Wesley, Reading, Massachusetts, 1992.
- Osha Gray Davidson, *Broken Heartland*.
- 3 Beth W. Honadle, "Defining and Doing Capacity Building: Perspectives and Experiences," in *Perspectives on Management Capacity Building*, B.W. Honadle and A.M. Howitt, eds., State University of New York Press, Albany, 1986, p. 9-23.
 - 4 Ibid, p. 18.
 - 5 Ibid, pp. 17-20.
 - 6 Graham Toft, "Rurban Development: Radical Perspectives on a Perennial Problem," *The Entrepreneurial Economy Review*, Corporation for Enterprise Development, Washington, DC, January/February 1990.
- Jim Seroka, "Inter-Rural Administrative Cooperation: Issues and Opportunities," *National Civic Review*, March/April 1990, pp. 138 - 151.
- John Niles, Conference remarks and unpublished papers, May 9, 1990. (Niles is president of Global Telematics, Seattle, Washington).
- 7 *Rural Development News*, Vol.16 No.1, North Central Regional Center for Rural Development, Iowa State University, Ames, Iowa, January 1992. (This special edition of is entirely devoted to the subject of multi-community collaboration.)
- Rural Revitalization Task Force of the Secretary of Agriculture, *A Hard Look at USDA's Rural Development Programs*, Office of the Undersecretary for Small Community and Rural Development, U.S. Department of Agriculture, Washington, DC, 1989.
- 8 Wayne D. Rasmussen, *Taking the University to the People; Seventy-five Years of Cooperative Extension*, Iowa State University Press, Ames, Iowa, 1989, p. 197.
 - 9 Cooperative Extension System, *Issues Programming in Extension*, U.S. Department of Agriculture, AD-BU-3493, May 1988, p. 5.
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 - 11 *Rural Development News*, January 1992.
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 - 13 North Central Regional Center for Rural Development, *Economic Development for Rural Revitalization, A Handbook*, Iowa State University, Ames, Iowa, April 1987.

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- 30 In fact, individual responses to the Census are also subject to confidentiality restrictions, which protect any individual from being identifiable, but the consequences are more notable when researching rural businesses.

4

Community Self-Assessment Tools

Local economic development is an especially challenging process in smaller rural communities. Strategies to improve the standard of living must also respect the subtler, less tangible qualities that make life in smaller places particularly worthwhile. Strategies for stimulating business and employment opportunities must incorporate local needs and preferences. Will new and expanding industry bring net improvements to the physical and social infrastructure of the community? Will new jobs mean satisfying work and reasonable wages for current residents? Will valued aspects of the community's character be preserved and enhanced?

Models for strategic planning have recently been proposed which take into account the full range of interests within the community. For instance, Edward Blakely, rather than focusing exclusively upon how the local economy can serve the requirements of national and international markets, outlines a process which combines responsiveness to local needs with awareness of changing external conditions.¹ Another policy planner, Emil Malizia, distinguishes short-term quest for growth from a longer-term development planning emphasis on quality.² Strategic planning for development enables the community to guide the transformation of its economic structure by shifting the mix of industry, occupations, and products it relies upon; and by seeking to change patterns of ownership and control, firm size, and technologies in use. By this thinking, "The quality of production and the distribution of consumption are emphasized... The goals pertain to improving economic structure and the distribution of income and wealth."³

This concept of development — as involving structural change in the local economy — finds support from Ron Shaffer, who adds that "development implies greater equity."⁴ The resultant well-being of community members, according to Shaffer, includes overall improvement in areas such as health, interpersonal relationships, physical environment, housing, education, and the arts. Others have used the term "economic vitality" to describe these same qualitative goals for which economic growth is of importance but not always a prerequisite.

Successful application of these principles requires a careful, step-by-step process, in which a variety of tools and techniques are utilized. Such a framework for development may be viewed in terms of five basic steps:

1. Organization
2. Collection of qualitative and quantitative data
3. Analysis and interpretation of the data
4. Formulation of alternative strategies
5. Selection of strategies

This chapter describes what should be happening at each step of a community's strategic planning efforts. The strategies outlined are based upon a review of manuals and instructional materials written for development practitioners. Excerpts in each section provide examples of tools and techniques useful in working through a particular stage in the planning process. Examples have been chosen to give readers a sample of

the style and substance of the major resources cited. Local leaders are encouraged to examine excerpted materials with selection of those that will best address their particular needs in mind. An annotated listing of the tools, including information about locating and obtaining publications, is found at the chapter's end.

A word of warning: while descriptions of local strategic development efforts may portray these processes as orderly and distinct, they are never as clear-cut as theorists would like them to be. In fact, the steps are more likely to be disorderly and complexly interrelated. Community leaders who undertake development planning will invariably find themselves in the midst of two or more processes simultaneously. The skills that will enable planners to chart a course through these sometimes confusing channels are what this chapter is all about.

Organization: The Process Begins

An attempt to improve the local economic picture often begins informally, with a few people gathering to discuss the potential for revitalizing their community. A need for organization emerges when this initial core group begins stimulating more widespread interest and identifying others who are willing to become involved. In the past, economic development initiatives have often been confined to addressing the concerns of retail or other business managers and elected officials. If the needs and interests of the entire community are to be served, and initiatives are to be successful, it is essential that development planning involve people representing a wider range of perspectives. A more broad-based effort will include people representative of different income levels, age groups, genders, and occupations.

Community Participants

Many of the practical guides and manuals for economic development suggest ways to identify and recruit willing and capable citizen-participants. One primer specifically geared to smaller communities, *Harvesting Hometown Jobs*, describes four sources of potential participant leaders.⁵ The most familiar and obvious sources are decision-makers in business, as well as elected and appointed government officials. Highly respected individuals who exert significant influence upon the community, even though they may not hold positions of formal authority, are a less obvious talent pool. Leaders in more formal roles can usually identify these individuals with behind-the-scenes influence. A third source lies in people who have involved themselves previously in important public decisions, such as establishing a new health clinic or library, passing a bond issue or referendum, or preserving some valuable feature of the community. These individuals become active when they see a special need or opportunity to enhance the community's character. The fourth source of participant leaders is found in the consistently active members of volunteer organizations.

Two excellent manuals, urging the use of broadly representative organizations for planning development, provide lists of interest groups and organizations from which members can be selected (Figure 4.1 and 4.2): (1) The *Idaho Gem Community Manual* lists potential participants found within government, private, and civic sectors; (2) *Take Charge*, a

Development Organization Prospective Participants
Significant Segments of the Community and Decision Makers

Segments of the Community	Individuals
Agriculture	
Banks/Financial Institutions	
Chamber of Commerce/Commercial Clubs	
Churches	
Civic Organizations	
Community Improvement/Betterment Groups	
Educational Organizations	
Schools	
Extension Service	
Other	
Elderly	
Health Care	
Industry	
Local Development Organizations	
Local Government	
Town Board or City Council	
Park Board	
Zoning Board or Planning Commission	
Economic Development Commission	
Professionals (attorneys, accountants, architects, marketing specialists)	
Real Estate	
Retail Businesses	
Unions	
Utility Companies (electric, gas, railroads)	
Youth	

Figure 4.1
The Diverse Local Leadership Pool

Reprinted, with permission, from
Take Charge: Economic Development in Small Communities.

Figure 4.2
**Finding and Organizing
Community Leaders**

Reprinted, with permission, from the
Idaho Gem Community Certification Manual.

Development Organization Prospective Participants

Government	Private	Civic
Ag.-Extension Agent	Attorneys	Arts/Humanities Groups
Airport Manager	Bankers	Chamber of Commerce
BLM Representative	Developers	Clergy
City Council	Hospitality Industry	Community Clubs
City Department Heads	Independent Business Owners	Local Development Corp.
County Commission	Industrial Firms	Professional Associations
County FAC Chairman	Major Employers	Senior Citizens
Highway District Manager	Newspaper/Media	Service Organizations
Health District	Realtors	Youth
Hospital Director	Retail Business Owners	
Idaho Fish and Game Officer	Service Sector Firms	
Idaho Job Service Manager	Transportation Businesses	
Local College Official	Utilities	
Mayor		
Planning and Zoning Commission		
RC&D Coordinator		
School Superintendent		
SBA-SCORE Chapter		
U.S.D.A. Representative		
U.S. Forest Service		

manual published by the North Central Regional Center for Rural Development, provides a slightly different checklist of significant segments of the community which may serve as a planning powerbase.⁶

Many other qualities, in addition to leadership background, identify individuals who will exert a positive influence. *Harvesting Hometown Jobs* advises selecting individuals who demonstrate the following characteristics:

- Possessing a personal interest or stake in economic development
- Affected by development activities
- Informed and knowledgeable about problems related to development
- Committed to informing other community members about development efforts
- Willing to commit themselves to working with an organized development program
- Positive and enthusiastic, and able to work well with others
- Open to change, if change is necessary

Retirees may be especially sensitive to development projects funded through increased local tax revenues. Moreover, if retirees are involved in the early phase of development planning, they are less likely to oppose efforts to fund these activities.

Early efforts will probably depend on tapping recognized leadership in the community. As work progresses, it may be wise to encourage leadership development in individuals who show interest and clear potential, even though they may have not worked previously in leading roles. Dispersing leadership responsibilities and exchanging roles can strengthen the organization, and also protect it against the sudden shock of losing a single leader who has carried most of the responsibilities alone. A manual titled *Saving America's Countryside* advises community organizations to allow members with a variety of styles and skills, such as "congenial mediator or articulate spokesperson, able coordinator or idealistic visionary" to exercise leadership.⁷

Structure of Planning Groups

In addition to identifying sources for planning group membership, local planners need to decide just how these groups will work. What is their internal structure? How do responsibility and power flow within the group? A number of models exist.

The *Take Charge* manual advises forming a core committee of four or five members to initiate planning, and then creating a larger group that participates throughout the development process. Similarly, a manual published by International City Management Association, *Local Economic Development*, suggests relying, where possible, upon both a strategic planning group and a staff group in the initial organization process.⁸ The staff group, managing the details of the larger effort, involves five to seven members drawn from public sector agencies. Good candidates for this group may include planning and zoning department directors, housing or community development specialists, local post-secondary school administrators or faculty, the local government chief executive, the Chamber of Commerce director, or a Cooperative Extension Service economist.

Potential Formal Organizational Structure

Select a Structure

There are numerous structural options to consider when building an economic development organization. NATaT has uncovered five organization types; of course, the list is not limited to five. Reflect upon a town's needs and resources before selecting a structure for an economic development organization.

Non-Profit Local Development Corporations (LDCs) and Economic Development Corporations (EDCs). Concerned citizens form these private, tax-exempt development organizations, and charter them under state corporation laws. Non-profit LDCs and EDCs - they sometimes go by other names - are eligible for certain federal, state or private grants and loans.

For-Profit Local Development Corporations and Economic Development Corporations. Concerned citizens also form these private, but not tax-exempt development organizations, and charter them under state corporation laws. For-profit LDCs and EDCs - also called by other names - are able to raise capital quickly by selling shares of stock to interested investors.

Local Government-Appointed Committees. These are, usually, informal economic development committees appointed by the town's elected leaders and restricted to the activities permitted of local governments. Such committees are easy to form, but sometimes difficult to sustain. Elected officials must provide committees with clear directions and timetables, if the organizations are to succeed.

Subcommittees of the Local Chamber of Commerce. Committees are often developed under the leadership of the chamber. McManis Associates (a Washington consulting firm which studied chamber activity for several years) reports that chambers are increasingly involved in active business recruitment and expansion activities. These committees work best when local government is a solid participant.

Special Committees of Voluntary Associations. Civic groups such as the Lions Club, Rotary Club, etc., sometimes spearhead special groups. In Jud, N.D. (pop. 118), the Lions Club was the key initiator of local development activities. Later, the Jud Area Betterment Corporation, a for-profit local development corporation, was formed to sponsor the town's investment projects. These committees are especially useful in starting the ball rolling in small communities.

Figure 4.3 Alternative Structures for Formal Organization

Reprinted, with permission, from
Harvesting Hometown Jobs.

How formal or informal the organizational structure should be depends upon perceived needs and available resources within the community. A listing of possible organizational frameworks, ranging from Local Development Corporations to special committees of service organizations, appears in *Harvesting Hometown Jobs* (Figure 4.3). One of the strongest proponents of formal organization for local development, the National Main Street Center, views the organizational base as an essential primary step in successful downtown revitalization programs. The Center's manual, *Revitalizing Downtown*, offers a list of principles and characteristics to keep in mind as organizing proceeds:⁹

- Widespread community support
- Broad-based community representation in an advisory capacity
- A distinct constituency
- A clear, shared sense of mission and a well-defined set of goals and objectives
- A commitment to work, and to succeed, over an extended period of time
- Strong public-private partnerships

- Committed, dependable funding
- Specialized working committees

Whether the community is a village of 500 residents or a town of 10,000, many of the principles and guidelines discussed here can be helpful in organizing and coordinating efforts to plan and implement local economic development. Once the organization or campaign is formed, the next phase—information gathering—can begin.

Information Collection

Before any strategies to achieve local economic vitality are considered, it is useful to obtain a comprehensive picture of current conditions and trends in the community. A detailed answer to the question "Where are we now?" sharpens the focus of development planning. Two distinct sources of information which contribute to the overall picture are (1) quantitative data about the economy, already available from various public agencies, and (2) qualitative information obtainable by surveying and interviewing residents.

Qualitative Information

In their book *Sowing the Seeds of Economic Renewal*, strategists William Schweke and Rodney Stares explore issues surrounding the collection of qualitative data through interview or survey techniques.¹⁰ These authors distinguish between what they call "desk work," or analysis of already existing community statistics, and "field work," a more in-depth inquiry into community needs. They advise careful desk work first, as a means of generating initial impressions; these impressions can then be used as a basis for conducting surveys and interviews. According to Schweke and Stares, such information gathering allows planners to "get a sense of the community's pulse and temperature, its hopes, worries, and opportunities for change."¹¹

A word of caution is in order. Surveys are grouped here with interviews, community meetings, and focus groups as a method of subjective data collection. In fact, surveys are an objective tool used to estimate conditions in a population by carefully measuring only a sample. What is subjective here is the information being gathered—the primary goal is to determine local opinions about what activities are important to them. Community leaders may indeed wish to include objective information in their data collection efforts. For instance, if leaders are interested in knowing how many residents shop downtown regularly, informal interviews may not give useful information. Surveys may be needed.

Preparing interview guidelines. Prior to survey or interview activities, Schweke and Stares encourage information seekers to consider four questions fundamental to any community assessment effort:

1. What will be the likely condition of the community in one/two/five/ten years if no intervention occurs?
2. What will happen if the community activates as yet unutilized potential?
3. What factors are blocking use of that potential; how can those factors be overcome; and at what cost?
4. What specific opportunities exist to initiate changes leading to utilization of latent potential?

Interviewers are advised to "recycle" material from one interview to another, introducing ideas or themes garnered from one source to other interview settings. The reasons for such tactics are manifold:

- Most interview response represents opinions; interviewers need to understand how broadly these opinions are held.
- An idea offered by one citizen can trigger another discussion with a different interviewee.
- Recycling helps reveal patterns of communication and collaboration in the community, indicating areas of consensus and of contention.

Further, Schweke and Stares caution against direct attribution of an idea or proposal to a previous interviewee, even anonymously. They suggest lead-ins such as, "One can imagine that in a community like this one..." Possible interview candidates include a wide variety of individuals:

- Elected local officials
- Public agency managers, analysts, and professionals
- Private business people in manufacturing, services, finance, utilities, realty, etc.
- Formerly employed people currently out of work
- Community organization leaders
- Local news media professionals

Designing survey instruments. For local development groups wishing to conduct structured surveys within the community, a report titled *Public Opinion Polling* provides a detailed practical reference.¹² This document discusses the pros and cons of printed-mail surveys, telephone surveys, and face-to-face personal surveys; it offers, as well, useful directions for writing, conducting, and interpreting surveys. Excerpts from a checklist, advising how to word questions, provide an example of the type of issues groups may need to consider:

- Use long and short questions alternately.
- Avoid loaded phrases, or wording that suggests a socially desired response.
- Use conversational phrasing, but avoid slang.
- Provide answer categories which are easy to remember, exhaustive, and mutually exclusive.

In a section titled "Tips for Successful Interviews," the guide describes how to begin an interview by stating its purpose, assuring confidentiality, and assuring interviewees that their opinion is a valued contribution. Interviewers are encouraged to assume that people will be willing to participate, and are cautioned against initiating an interview "in a way that would make it easy for the respondent to say 'No.'"¹³

A forthcoming book by seasoned rural researchers Priscilla Salant and Donald Dillman, *Survey Research: A Guide for Community Researchers*, will also be a useful tool geared specifically to local research. The book covers keys to success, sources of error, survey methods, designing and testing questionnaires, sample size, coding and analysis.¹⁴

Using ready-made survey forms. Those interested in adopting the survey approach, but hesitant to create their own instruments, may locate a ready-made survey by reviewing materials already in use by research-

ers and other communities. For example, the *Local Economic Development* manual, described earlier, contains sample surveys on several related topics including:

- Telephone Interview for Commercial District Data
- Business/Merchant Survey
- Land Use Survey of Commercial District
- Interview of Existing Industries

(Selected questions from a Commercial Area Consumer Survey are reprinted in Figure 4.4.)

Other survey materials are found in the *Take Charge Manual*, which provides sample copies of a four-page Business/Service Inventory, and a six-page Community Needs Analysis. These forms can help residents rate an extensive range of elements pertaining to the community's Business District, Public Services, Government, Housing, Recreation, Health, Human Services, and Education. (Brief excerpts of both the inventory alternatives are reprinted in Figures 4.5 and 4.6.)

Gathering information through group discussion. At least two sources describe group discussion techniques for gathering information about communities, needs and goals. *The Entrepreneurial Community*,

Figure 4.4
Gauging Local Needs

Reprinted, with permission, from the International City Management Association's manual, *Local Economic Development: A Strategic Approach*.

Commercial Area Consumer Survey Excerpt														
<p>9. What types of stores, businesses, or other places do you come to? Check all items that apply.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;"><input type="checkbox"/> food stores</td> <td style="width: 33%;"><input type="checkbox"/> barber/beauty shop</td> <td style="width: 33%;"><input type="checkbox"/> bank</td> </tr> <tr> <td><input type="checkbox"/> drug stores</td> <td><input type="checkbox"/> restaurants</td> <td><input type="checkbox"/> library</td> </tr> <tr> <td><input type="checkbox"/> cleaners</td> <td><input type="checkbox"/> clothing stores</td> <td><input type="checkbox"/> other (Please list)</td> </tr> <tr> <td><input type="checkbox"/> doctors</td> <td><input type="checkbox"/> hardware stores</td> <td></td> </tr> </table>			<input type="checkbox"/> food stores	<input type="checkbox"/> barber/beauty shop	<input type="checkbox"/> bank	<input type="checkbox"/> drug stores	<input type="checkbox"/> restaurants	<input type="checkbox"/> library	<input type="checkbox"/> cleaners	<input type="checkbox"/> clothing stores	<input type="checkbox"/> other (Please list)	<input type="checkbox"/> doctors	<input type="checkbox"/> hardware stores	
<input type="checkbox"/> food stores	<input type="checkbox"/> barber/beauty shop	<input type="checkbox"/> bank												
<input type="checkbox"/> drug stores	<input type="checkbox"/> restaurants	<input type="checkbox"/> library												
<input type="checkbox"/> cleaners	<input type="checkbox"/> clothing stores	<input type="checkbox"/> other (Please list)												
<input type="checkbox"/> doctors	<input type="checkbox"/> hardware stores													
<p>10. Is there enough parking in _____ (Area under study)? yes/no</p>														
<p>11. If you drive, where do you usually park? (Check all that apply)</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;"><input type="checkbox"/> on the street near stores</td> <td style="width: 50%;"><input type="checkbox"/> on a side street</td> </tr> <tr> <td><input type="checkbox"/> in a municipal lot</td> <td><input type="checkbox"/> in a store-owned lot</td> </tr> <tr> <td><input type="checkbox"/> somewhere else</td> <td></td> </tr> </table>			<input type="checkbox"/> on the street near stores	<input type="checkbox"/> on a side street	<input type="checkbox"/> in a municipal lot	<input type="checkbox"/> in a store-owned lot	<input type="checkbox"/> somewhere else							
<input type="checkbox"/> on the street near stores	<input type="checkbox"/> on a side street													
<input type="checkbox"/> in a municipal lot	<input type="checkbox"/> in a store-owned lot													
<input type="checkbox"/> somewhere else														
<p>12. What kind of store, service, or business would you most like to see added to _____ (Area under study)?</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;"><input type="checkbox"/> variety store (Dept., 5&10, etc.)</td> <td style="width: 50%;"><input type="checkbox"/> grocery store</td> </tr> <tr> <td><input type="checkbox"/> clothing store</td> <td><input type="checkbox"/> specialty food (Natural food, ice cream, etc.)</td> </tr> <tr> <td><input type="checkbox"/> entertainment (Recreation center, lounge, theater)</td> <td><input type="checkbox"/> music, record store</td> </tr> <tr> <td><input type="checkbox"/> restaurant or deli</td> <td><input type="checkbox"/> shoe store</td> </tr> <tr> <td><input type="checkbox"/> nothing, it has everything I need</td> <td><input type="checkbox"/> professional office building</td> </tr> <tr> <td><input type="checkbox"/> specialty shops (Crafts, gifts, boutique)</td> <td><input type="checkbox"/> other (Please list)</td> </tr> </table>			<input type="checkbox"/> variety store (Dept., 5&10, etc.)	<input type="checkbox"/> grocery store	<input type="checkbox"/> clothing store	<input type="checkbox"/> specialty food (Natural food, ice cream, etc.)	<input type="checkbox"/> entertainment (Recreation center, lounge, theater)	<input type="checkbox"/> music, record store	<input type="checkbox"/> restaurant or deli	<input type="checkbox"/> shoe store	<input type="checkbox"/> nothing, it has everything I need	<input type="checkbox"/> professional office building	<input type="checkbox"/> specialty shops (Crafts, gifts, boutique)	<input type="checkbox"/> other (Please list)
<input type="checkbox"/> variety store (Dept., 5&10, etc.)	<input type="checkbox"/> grocery store													
<input type="checkbox"/> clothing store	<input type="checkbox"/> specialty food (Natural food, ice cream, etc.)													
<input type="checkbox"/> entertainment (Recreation center, lounge, theater)	<input type="checkbox"/> music, record store													
<input type="checkbox"/> restaurant or deli	<input type="checkbox"/> shoe store													
<input type="checkbox"/> nothing, it has everything I need	<input type="checkbox"/> professional office building													
<input type="checkbox"/> specialty shops (Crafts, gifts, boutique)	<input type="checkbox"/> other (Please list)													
<p>13. What kinds of changes, if any, would make this area a more appealing place to come to?</p> <ul style="list-style-type: none"> <input type="checkbox"/> prettier, cleaner, more trees and flowers, etc. <input type="checkbox"/> renovate building fronts, store renewal, improve facades, etc. <input type="checkbox"/> benches, a place to sit and relax, a park, etc. <input type="checkbox"/> better traffic flow, less traffic, use lights at intersection, etc. <input type="checkbox"/> better or more parking <input type="checkbox"/> nothing, like it as is <input type="checkbox"/> more shopping stores, a greater variety of stores, etc. <input type="checkbox"/> fewer policemen <input type="checkbox"/> keep clear of loiterers <input type="checkbox"/> more open space <input type="checkbox"/> a fountain <input type="checkbox"/> fewer bars <input type="checkbox"/> other (Please list) _____ 														

Business Service Inventory Excerpt					
Type of Good/Service	Available		Recently Closed in Local or Neighboring Community	Reason Why	Readily Available
	in Community	in Neighboring Community			
Blade & Knife Sharpening					
Book Store					
Dental Services					
Dry Cleaners					
Eating Place (General)					
Electricians					
Farm Implements					
Feed Store					
Floor Covering					
Florist					
Freezer/Locker Plant					
Furniture					
Gas Station					
General (Retail)					
General Merchandise					
Greenhouse/Garden Supplies					
Grocery (Complete)					

Figure 4.5
Conducting a Business Inventory

Reprinted, with permission, from
Take Charge.

Figure 4.6
Assessing Needed Services

Reprinted, with permission, from
Take Charge.

Community Needs Analysis Excerpt				
	Not Relevant	Need to Improve	Acceptable	Exceptionally Good
<u>Health Services</u>				
Ambulance				
Dentists				
Doctors				
First aid station				
Hospital				
Nurses				
Nursing home				
Out-patient clinic				
Paramedics				
Pharmacist				
Rescue vehicle				
<u>Health Programs</u>				
AA				
Animal control				
Drug prevention program				
Immunizations				
Insect control				
Mental health clinics				
Nutrition program				
Pre-natal clinics				
Well-baby care				
<u>Public Parks</u>				
Adequate parks				
Generally clean parks				
Painted, attractive playground equipment				
Painted benches				
Program to replace dying & diseased trees				
<u>Residential Areas</u>				
Clean yards				
Homes painted and maintained				
House numbers visible from the street				
Nicely landscaped homes				
<u>Ordinances or Programs to:</u>				
Clean alleys				
Clean vacant lots				
Control litter and junk cars				

published by Heartland Center, provides focus questions for roundtable discussions on many topics, ranging from agriculture to telecommunications and information services.¹⁵ The questions are open-ended, and likely to stimulate a thoughtful exchange of participants' ideas. A second resource, *Community Goal-Setting*, outlines a wide variety of group techniques.¹⁶ Its detailed case study of downtown revitalization in a small North Carolina community describes a series of three public forums. The first two of these centered on local residents' discussions with development specialists. The third involved planners' presentations of basic information, followed by small group discussions. The use of a 15-foot scale model of the downtown area with moveable parts, as a tool in the discussion process, enabled planners to recognize that townspeople desired specific, modest improvements in their downtown area, but did not really want a more costly beautification project already on the drawing board.

Quantitative Information

Statistical descriptions of current conditions and trends in the community are derived from measures of economic activity and population change. These forms of demographic and economic summary can present a confusing maze of information. Development strategists will save time by understanding data types and their value before information collection begins.

Collection and presentation of economic and demographic data. Probably the most straightforward approach to gathering quantitative data is found in the *Take Charge* manual's five-page "Data Collection" form (the form is excerpted in Figure 4.7). This form provides would-be data gatherers with an actual template for information collection. The form seeks data regarding population, school enrollments, employment, personal income, and business activity. In most categories, information is gathered for three different periods, allowing observation of community trends during the past 20-30 years. Specific sources, either government or other agency publications, are included with each category of data. (For example, the manual cites "Personal Income Estimates by Sector" over five-year intervals, available in *Local Area Personal Income*, published by the Bureau of Economic Analysis; or in *Local Population Estimates*, Series P-26, published by the U.S. Bureau of Census.)¹⁷

A local development group might wish to expand the focus of data collection to include other characteristics of the community. A particularly comprehensive listing of characteristics suitable for inclusion in a community inventory is contained in Ron Shaffer's *Community Economics* (Figure 4.8).¹⁸ Thorough data collection across all the areas listed would require a major effort. While some local development groups—those with extensive resources and strong interest in analyzing their underlying conditions—may readily complete such a task, others will decide that limited resources must be carefully apportioned across all stages of the development planning process. The "Community Profile," which Idaho's Gem Community Program requires each participant to complete, is one example of more selective data collection and presentation (Figure 4.9). One may compare the data types in this profile with the listing in Figure 4.8 to get a sense of the selection process.

Appendix D

Data Collection

Population Data Collection

County Population	1960-70	1970-80	Most Recent Estimate	1990 Estimates When Available
Population by Age Group	No. %	No. %	No. %	No. %

75+
70-74
65-69
60-64
55-59
50-54
45-49
40-44
35-39
30-34
25-29
20-24
15-19
10-14
5-9
0-4

Net Migration

County Population
Projections

Rural Farm
Population

Data Collection Form Continued

Appendix D

Rural Nonfarm
Population

1960 1970 1980

Trade Area
Population*

(Year) _____

These data are available in the Census of Population: General Population Characteristics, the most recent issue.

Some states have state departments, population data. If your state makes following to assist in developing tre

Farm Data Collection

Number of Farms
in County

1960

Average Size of
Farms in County

1960

The agriculture census is taken every can be found in Census of Agriculture

School Enrollment data

District

Include all in
county or area
to be studied

This information may be obtained fr public instruction on a city or county

* Many states have trade area data availat within state government and/or universit be necessary to approximate the trade are

Figure 4.7 Building an Economic and Demographic Profile

Reprinted, with permission, from
Take Charge.

Data Collection Form Continued

Appendix D

Education Level of Adults Age 25 and Over

Education Level	Community		State		Nation	
	No.	%	No.	%	No.	%
Less than high school	_____	_____	_____	_____	_____	_____
High School graduate	_____	_____	_____	_____	_____	_____
More than high school	_____	_____	_____	_____	_____	_____

These data are available in the Census of Population: General Population Characteristics, the most recent issue.

Number of Persons in Labor Force in County/Area Studied

Gender	1960	1970	1980
Male	_____	_____	_____
Female	_____	_____	_____
Total	_____	_____	_____

This information is available from the Census of Population: General Social and Economic Characteristics, the most recent issue. Total labor force, employment and unemployment information may also be available from the State Job Service or Employment Security Bureau.

Employment by Sector

Employment by Industry — county	1976		1981		1986	
	No.	%	No.	%	No.	%
Construction	_____	_____	_____	_____	_____	_____
Manufacturing and Mining	_____	_____	_____	_____	_____	_____
Transportation, Community and Public Utilities	_____	_____	_____	_____	_____	_____
Trade	_____	_____	_____	_____	_____	_____
Services	_____	_____	_____	_____	_____	_____
Education	_____	_____	_____	_____	_____	_____
Public Administration	_____	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____	_____
Total Employed	_____	_____	_____	_____	_____	_____

This information can be obtained from the Bureau of Economic Analysis, U.S. Department of Commerce; the most recent issue.

Figure 4.8 Elements of a Local Profile

Reprinted, with permission, from
*Community Economics: Economic Structure and
Change in Smaller Communities.*

Potential Characteristics in Community Inventory		
Community Inventory		
A. Location 1. Geography 2. Access to major markets 3. Climate B. Government 1. Form 2. Assessment policies 3. Types of taxes 4. Tax rates and trends, last 5 years 5. Zoning ordinances, land use policy 6. Building codes 7. Regulations C. Local Services 1. Fire protection a. fire insurance rates b. special equipment c. station location d. water availability 2. Police protection 3. Solid waste disposed 4. Snow removal D. Population Characteristics 1. Demographic profile a. age/sex 2. Population trends a. migration 3. Income characteristics 4. Cost of living 5. Home and durable goods ownership E. Housing 1. New home construction and cost 2. Adequacy of sale or rental 3. Rental costs 4. Condition of residential neighborhoods 5. Residential land values F. Medical Facilities 1. Availability of doctors, dentists, and hospital beds 2. Availability of lab facilities 3. Cost of medical and dental care G. Religious Facilities 1. Number and denominations of area churches H. Accommodations 1. Availability for corporate traffic 2. Availability for group meetings I. Cultural and Recreational Facilities 1. Civil and professional organizations 2. Libraries 3. Recreation facilities	J. Postal Services 1. Type and frequency of service K. News Media 1. Newspapers 2. TV and radio 3. Degree of local coverage L. Local Industries 1. Cooperation of business leaders 2. Supply and service firms 3. Types of industries M. Utilities 1. Electrical power: availability and rates 2. Gas service: availability and rates 3. Telephone service: type and rates 4. Water service: availability, source, usage, rates 5. Sewer service: adequacy, regulations, charges N. Financial Services 1. Banking services a. loan policies b. asset structures c. interest in financing new ventures 2. Local investors 3. State, federal, or local sources of financing O. Education 1. Elementary and secondary schools a. number b. pupil-teacher ratio c. accreditation d. student enrollment e. programs for students with special learning needs f. programs for handicapped students g. teacher salary ranges 2. Vocational schools a. number b. types of training c. number of graduates 3. Higher education a. availability of universities b. research facilities 4. Other a. adult education b. testing services P. Labor 1. Labor profile a. education b. age c. skills	2. Availability of labor a. types b. location c. seasonal 3. Unions 4. Transportation for commuters 5. Wage scales 6. Employee turnover rate-absenteeism 7. Unemployed a. skills b. sex 8. Labor relations history 9. Labor practices a. vacations b. holidays 10. Labor legislation 11. State and local taxes applied to labor Q. Transportation (rail, truck, water, air, pipelines) 1. Types available: freight and passenger 2. Adequacy of facilities 3. Record of performance 4. Cost and rates 5. Regulations or tariffs 6. Transit privileges R. Income 1. Per capita 2. Purchasing power 3. Percent of poverty level 4. Percent receiving public assistance 5. Sources of income S. Economic Development Program 1. Industrial-commercial facilities a. sites b. buildings c. services d. value 2. Development organization 3. Incentives T. Recreation 1. Public a. parks and playgrounds b. organized programs 1. crafts 2. soccer 3. swimming c. Youth clubs 2. Private a. golf, tennis b. boating

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Other sources of quantitative information. Additional sources of quantitative information are available. These may require complex interpretive skills on the part of those using them. An excellent monograph written by Annabel Kirschner Cook, *Population Change in Local Areas*, focuses on the ways in which size and composition of the community's population can change over time.¹⁹ The report discusses such concepts as natural increase, migration, age composition, household size, gender distribution in the labor force, and income distribution. Agency sources of such data are reviewed, as well as descriptions of the ways in which agencies organize and classify their data. Cook notes that printed Census Bureau reports offer much less information about smaller communities, especially those with populations less than 10,000. She also recommends a census report publication, entitled *Summary Social, Economic and Housing Characteristics* (1990 CPH-5), as an extremely useful tool for studying small communities.²⁰ Those desiring more detailed data from the Census Bureau and other sources can consult their local data centers. (A listing of these Data Centers in the Northwest is included in Chapter 3.)

Figure 4.9
The Public Facilities Inventory

Reprinted, with permission, from the *Gem Community Certification Manual*.

Community Profile Excerpt

LODGING & MEETING FACILITIES

Number of Lodging Rooms	75	
	Public	Private
Number of Meeting Facilities	13	11
Number of Meeting Rooms	20	19
Total Seating Capacity	1,900	800
Seating Capacity / Largest Room	500	170

HEALTH CARE FACILITIES

Number of Hospitals	1	26 Beds
Number of General Clinics	4	
Ambulance Service Available	X yes	no

EDUCATIONAL FACILITIES

PUBLIC SCHOOLS

	Average Daily	Pupil/Teacher
District Names	Attendance (ADA)	(FTE) Ratio
Orofino Joint District	1,625 (1988-89)	16.0

PRIVATE SCHOOLS (all grades)

Number of Schools	1
Enrollment Total 1988-89	21
(* not all private schools report)	

VOCATIONAL-TECHNICAL SCHOOLS

Public Secondary Programs (by District)

Name of District	Enrollment 1989
Orofino Joint District	181

Post-Secondary

	Assoc/Certificate	Short-Term	
Name of School	Enrollment 1989	Training	Distance
Lewis-Clark St. College	450	3,232	41 mi

COMMUNITY COLLEGES (nearest)

Name	Enrollment 1989	Distance
Walla Walla community College	715	46 mi

FOUR-YEAR COLLEGES OR UNIVERSITIES (nearest)

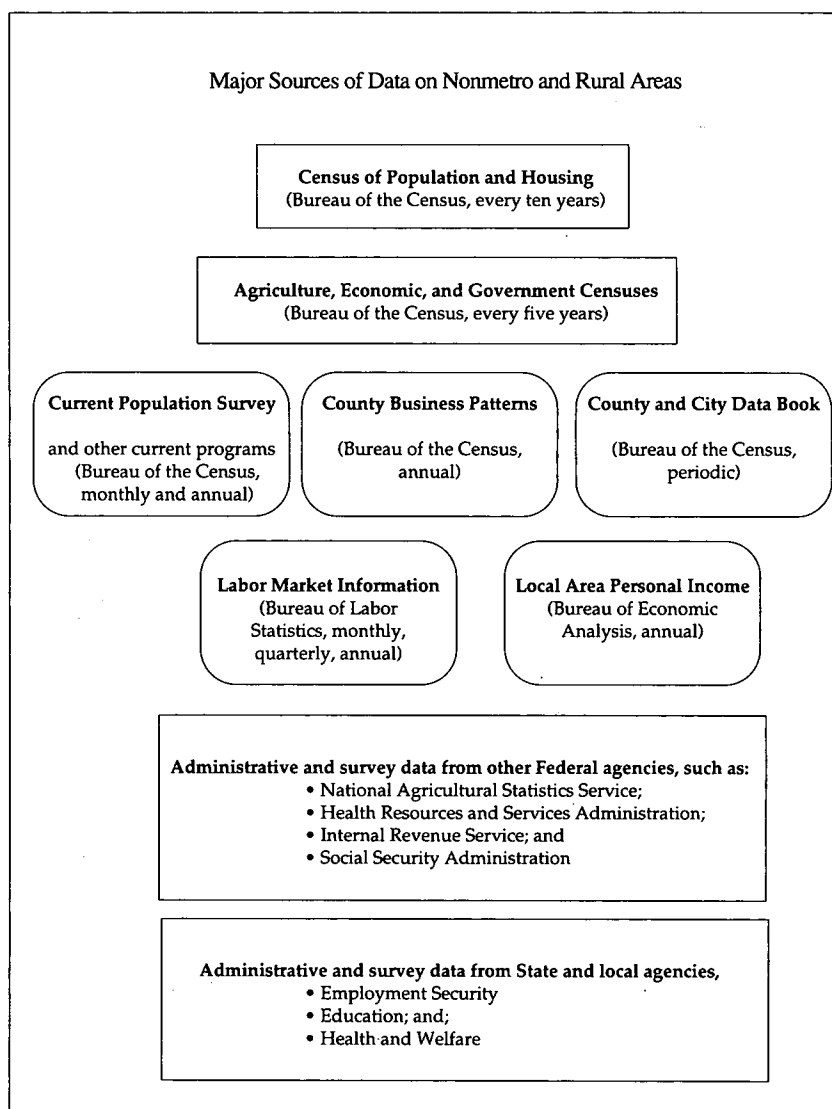
Name	Enrollment 1989	Distance
Lewis-Clark State College	2,090	41 mi
University of Idaho	10,019	74 mi

A larger and more comprehensive orientation to data sources is found in Pricilla Salant's *A Community Researcher's Guide to Rural Data*.²¹ This guide provides thorough descriptions of both population and economic data available from numerous governmental agencies. (For an outline of major data sources available in this guide, see Figure 4.10.) One example of the guide's coverage is its section on income data available from the Bureau of Economic Analysis.²² BEA tabulates net earnings, personal investment income, and transfer payments at the individual county level; the data pertain to residents of a county, and do not take into account earnings of people employed in the county but living in a separate county.

Advantages of such data include comprehensiveness, and easy accessibility. To illustrate the usefulness of Bureau of Economic Analysis data,

Figure 4.10
Locating Basic Data

Reprinted, with permission, from
A Community Researcher's Guide
to Rural Data.



the guide includes a bar chart comparing per capita personal income across six sample counties. Comparing the size of net earnings, investment, and transfer payments in each county reveals the relative importance of these income sources in different communities: thus, a county with an especially large share of retired residents may show greater income from investment than would a farming county, where net earnings are likely to be a dominant income source.

Another example of the guide's instructive approach to research on community conditions is its brief discussion of the difficulties likely to be encountered in trying to gauge a community's dependence upon forestry. Although state employment agency information includes numbers of workers in forestry, lumber and wood products manufacturing, the statistics do not include self-employed loggers and mill owners. Also, data for forestry workers may be grouped with agriculture and fishing employment and U.S. Forest Service staff; Bureau of Land Management personnel may be grouped with other federal agency employees. The guide suggests cross-checking employment service data with figures from the Census Bureau periodical report, *County Business Patterns*, as well as using data from private companies when obtainable, to develop an accurate picture of forestry or agricultural employment in a county.²³

Data Analysis and Interpretation

To a very limited extent, raw statistical information can suggest a picture of current conditions in the community. Analysis and interpretation of qualitative and quantitative information will add detail to that picture, providing a basis for projections of a community's future and design of initiatives to shape that future.

A common, rudimentary model of a community's economy is the leaky barrel. Anyone reading reports about local economic development is likely to have seen several depictions of these barrels. David L. Darling's *Understanding Your Community's Economy* employs the barrel model, increasing its usefulness by adding the concept of an income multiplier.²⁴ Not only must the community plug leaks in the barrel in order to retain more dollars within the local economy, but those dollars must be kept moving as much as possible.

Further fundamentals of economic base analysis are introduced in Bruce Weber's *Understanding Your Local Economy*.²⁵ This resource suggests that goods and services be viewed as imports and exports of a community's economy. According to Weber's model, the extent to which a community exports its goods and services earnings can be measured using location quotients (i.e., If production of a specific good within the local economy, as a fraction of total local production, is greater than the share of the state or national economy engaged in producing that good, then the local economy must be exporting the excess production to a larger economy.). Applying economic base analysis to Baker County, Oregon, Weber describes ways economic data can be used to identify local and export activities. Three methods of analysis are developed: assignment, minimum requirements, and location quotients. Weber also outlines three ways information from economic base analysis can be useful for understanding the local economy:

- Understanding local economic diversity or dependence on particular industrial sectors
- Assessing the potential to substitute locally produced goods and services for those imported from elsewhere
- Anticipating the impact of changes in the local economy

An especially comprehensive instructional presentation of economic base analysis technique is found in North Central Regional Center for Rural Development's how-to manual, *Community Economic Analysis*.²⁶ The main text of this manual employs a step-by-step question and answer format aimed at teaching the reader how to calculate employment and income multipliers, measure a community's trade area and trade potential, and gauge the efficiency of local firms. (An excerpt, explaining Trade Area Capture, is reprinted here as Figure 4.11.) The manual's appendix presents an imaginary community's analyses, demonstrating use of all the measurement tools discussed in the text:

- Reilly's Law
- Trade Area Capture
- Pull Factor
- Potential Sales
- Location Quotient
- Population/Employment Ratio
- Shift Share
- Employment and Income Multipliers

Figure 4.11

Analysis of Local Economy

Reprinted, with permission from
Community Economic Analysis: A How-To Manual

$$\text{Trade Area Capture} = \frac{\text{Actual Retail Sales of Merchandise type Y in the Community}}{\text{State Per Capita Expenditures for Merchandise type Y}} \times \frac{\text{Community Per Capita Income}}{\text{State Per Capita Income}}$$

68. WHAT DATA IS NEEDED?

First, one must measure the retail sales for the community and the state. These figures are found in the Census of Business and are published every five years, i.e., 1972, 1977, and 1982. In some states, sales tax data can be used. Private data sources such as Standard Rate and Data or Sales Management are alternative estimates of retail sales volume. These sources generally do not provide information on smaller communities. Per capita income for the county and state are also needed. These are typically available from various state agencies, such as the Department of Administration or Department of Revenue.

69. CAN WE DO AN EXAMPLE?

Let Village Y have \$390,000 in furniture sales in 1977. Its 1977 local per capita income was \$3,457 and the state per capita income was \$4,266. In 1977, state per capita expenditures for furniture were \$96.74. Plugging these numbers into the formula you get:

$$\frac{\$390,000}{\$96.74 \times \frac{\$3,457}{\$4,266}} = \frac{390,000}{96.74 \times .810} = \frac{309,000}{78.35} = 4.978$$

The trade area capture for Village Y indicates sales in local furniture stores equaled that of 4,978 people assuming they had purchased furniture at the average rate of all state residents and adjusting for relative income levels. The number is not the actual number of people sold to, but rather represents customer equivalents.

70. CAN YOU HELP WITH THE INTERPRETATION OF THIS NUMBER?

If the trade area capture is larger than the municipal population, the community is attracting consumers from outside its boundaries or local people are spending more for this item than the statewide average. It will require further analysis to determine the cause. If the trade area capture is less than the municipal population, then the community is not capturing the retail/service purchases of its own residents or local residents are spending relatively less than the statewide average.

71. ARE THERE OTHER USES FOR THE TRADE AREA CAPTURE ESTIMATE?

Yes. Remember, this number provides an estimate of the number of people shopped for in the community. One important insight it can provide is the change in customers shopped for over time.

Let us say that the 1982 trade area capture indicates Village Y drew 3,728 furniture customers. The village has lost over 1,250 furniture customers within a five-year period. The village needs to ask itself why this occurred.

72. THE TRADE AREA CAPTURE ESTIMATE INCLUDES RESIDENT CONSUMERS AND THOSE LIVING OUTSIDE THE CITY. IS THERE A WAY FOR A COMMUNITY TO FIND OUT HOW MANY CUSTOMERS IT IS ATTRACTING FROM OUTSIDE ITS BOUNDARIES?

One method to estimate the portion of customers a community draws from outside its municipal boundaries is a ratio called the pull factor. A merchant can look at the change in pull factors over time to determine his/her success in drawing customers from outside the village or city boundaries.

Few smaller communities are likely to have the time, resources, and inclination to fully utilize all the tools presented in this manual. Nevertheless, local development groups would be well advised to have one or two members study the manual, determining which tools are most pertinent to the group's efforts.

Formulation of Alternative Economic Planning Strategies

The progression from analysis of conditions to formulation (and implementation) of strategy is not clearly described in any of the practical guides or manuals. Perhaps this indicates implicit confidence in the creative learning process. As local development group participants con-

duct their assessment of conditions and attitudes within the community, they comprehend more of the pattern and detail of circumstances which form the basis for productive strategies. William Schweke and Rodney Stares believe that "most of the answers to the locality's economic problems are in the community. They only require discovery, refinement, and dissemination."²⁷ Perceptions of problems and of resources must undergo some sort of transformation, resulting in workable strategies for economic revitalization.

Broad Strategy Outlines

Planning guides generally advise thinking in terms of several categories of strategic intervention. One of the most often quoted, adapted, and expanded-upon strategy manuals is that written by Glen Pulver, an Extension economist at the University of Wisconsin. Pulver's 1986 monograph, *Community Economic Development*, presents five basic strategies communities could pursue, outlining action suggestions helpful in implementation of each.²⁸ The five strategies and some possible steps communities might take are summarized here:

1. *Help existing local businesses improve and expand.* Improved efficiency of local firms means they are more competitive, more likely to continue operating, and better able to bring more income into the local economy. A number of techniques make such improved efficiency possible:
 - Sponsoring management training programs
 - Encouraging local leaders to visit businesses regularly, learning what community efforts could help an identified business prosper
 - Identifying sources of capital to meet local business needs and promoting greater capital availability for smaller businesses
 - Keeping local businesses informed about technological improvements which can increase efficiency
 - Improving the overall capabilities of local workers through vocational training and supportive services, such as higher quality day care for children
 - Ensuring that local and regional services, such as telecommunications, meet the needs of local businesses
 - Sponsoring activities which express community appreciation of local business contributions
2. *Encourage the formation of new businesses from within the community.* Community leaders need to consider what steps might improve the climate for new businesses. The following are a few options:
 - Forming pools of private local capital for debt or equity investment in new businesses unable to obtain additional capital from financial institutions
 - Providing first-time entrepreneurs with needed training in management, marketing, and business planning skills
 - Using data assessment to identify overlooked production and market potential in the community
 - Extending to fledgling businesses the same services available to existing businesses

3. *Improve the community's ability to retain income within the local economy.* Capturing local income means encouraging the purchase of goods and services locally, and making decisions to buy from local vendors and producers more feasible in any way possible:
 - Helping businesses identify local market potential through surveys and business analyses
 - Coordinating revitalization of the town's central business district
 - Assisting businesses in improving personal qualities of service to customers
 - Attracting purchases by visitors and residents of nearby communities through promotion and advertising
 - Informing residents and businesses about local purchasing options
 - Reviving the sociability of a downtown area as a place to meet friends and enjoy time together
4. *Attract basic employers from other locations.* If the community wishes to draw businesses from elsewhere, it might investigate a variety of strategies:
 - Identifying appropriate industrial/commercial zones, and ensuring the availability of necessary services
 - Promoting the quality of life enjoyed by local citizens
 - Helping to stimulate capital availability through lower-interest revenue bonds
 - Investigating the benefits of having new public sector offices or facilities locate nearby
 - Forming organizations, such as industrial development corporations, which facilitate property acquisition for business use
5. *Increase funding received from state and federal governments.* Efforts to increase the positive impact of state and federal funding programs on the local economy might involve any or all of these activities:
 - Informing local residents of their eligibility for various forms of public assistance program benefits, and supporting their efforts to obtain benefits
 - Providing comprehensive services for elderly and handicapped residents, such as transportation, outpatient health care, meal services and recreation
 - Obtaining maximum assistance from broader government for renovation of public infrastructure such as streets, sewers, water systems and parks

As the most current and comprehensive application of Cooperative Extension work in community revitalization, Iowa State University's *Take Charge* manual incorporates the ideas outlined above within its own list of "Thirteen Strategies for Economic Development." Adding to Pulver's five strategies, *Take Charge* describes eight other forms of activity that may be suitable for smaller community development programs: these include tourism development and attraction of retirees, enhancing a community's strength as a commercial and retail center, serving agricultural business needs, or becoming a commuter/bedroom community. Three *Take Charge* strategies are particularly innovative:

- *Cooperating with neighbors.* Several small communities in a cluster pool resources to provide basic services, jointly sponsor a festival or special event, and promote purchase of services and goods within the cluster. In essence, the cluster begins acting more like a unified local economy when it benefits participating communities.
- *Recovering lost resources.* Campaigns directed at former residents seek to induce these individuals to relocate within their former town. Retirees or young families might be convinced to return to a wholesome hometown environment.
- *Developing conservation programs.* Such programs hinge on keeping dollars circulating in the local economy. Using less energy purchased from suppliers based in distant cities means having more resources to use locally. Furthermore, the effort behind intensive conservation projects can generate more local business activity.

A Closer Look at the Strategic Planning Process

The planning process and the strategies that evolve from it may take a variety of shapes. Major planning models promote workshop formats distinctive in style and procedure. The *Take Charge* manual presents a workshop format based upon loosely structured brainstorming sessions in which as many conceivable projects as possible are listed and set aside for later consideration. In contrast to this loose structure, The Rocky Mountain Institute has created a more detailed and fully integrated workshop framework for generating local development strategies. The Institute's comprehensive model for local strategic planning is offered in the *Business Opportunities Workbook* and its companion piece, the *Business Opportunities Casebook*.²⁹ Developed and refined by Michael Kinsley and Barbara Cole, of the Rocky Mountain Institute, these tools are published and distributed by the U.S. Small Business Administration.

A brief "walk-through" of the Rocky Mountain Institute's planning process gives some idea of the detail and structure strategic planning involves. Invigorating the local economy, while maintaining or enhancing desirable community qualities, is an explicit aim of the Rocky Mountain Institute approach. Michael Kinsley, director of the Institute's Economic Renewal Program, makes a crucial distinction between sustainable development, which furthers prosperity, and growth, engendering many difficult problems. This program's primary emphasis is on using local resources in new ways. Strategies dependent upon external resources are given much less attention, and are more restricted in scope.

While the Rocky Mountain Institute rejects conventional revitalization models, in many respects the Institute shares certain fundamentals with the Pulver/Cooperative Extension approach. For instance, the Rocky Mountain Institute stresses four basic strategies held in common with the Extension model. The Institute calls these primary planning tenets the Four Principles:

- Plug the Leaks
- Support Existing Businesses
- Encourage New Enterprises
- Recruit Compatible New Businesses

The Rocky Mountain Institute de-emphasizes efforts to gain state or federal assistance. It counsels constraining business recruitment through

careful consideration of the compatibility between a prospective business and the community's vision of the future.

Strategy planning, according to the Institute's *Business Opportunities Workbook* involves local citizens in a series of four workshops. The first of these introduces "Factors that Influence Business Opportunities":

- Access to Capital
- Business Environment
- Infrastructure
- Human Resources
- Quality of Life

Participants with specific knowledge of, and interest in, a particular factor conduct focused group evaluations of local conditions in regard to that factor. The make-up of these groups is likely to vary considerably. For example, the topic of Infrastructure relies on the expertise of such individuals as public works directors, local builders, school superintendents, health care professionals, and social services staff. An issue such as "Quality of Life," on the other hand, is likely to require input from young people, new business people, long-time residents, and new residents (Figure 4.12).

In the first workshop, group discussion is structured through use of a worksheet whose four sections encourage participants to describe local business conditions in terms of "Problems," "Assets," "Needs," and "Windows of Opportunity" (Figure 4.13). "Problems" are defined as obstacles or constraints faced by local businesses; "Assets" are the re-

Figure 4.12
Identifying Key Factors in
Business Growth

Reprinted, with permission, from the
Business Opportunities Workbook: A Rural
Revitalization Program for Community Leaders.

FACTOR SUMMARY Factor #5 Quality of Life	
<p>A high quality of life attracts new people and businesses to a community. It also keeps people in a community. Improving a town's quality of life with recreational opportunities, preservation of environmental qualities, and support for the arts makes a community more attractive to visitors, as well as residents.</p>	<p>Cultural assets, strong traditions, and clean air and water help sustain a healthy economy. Protecting natural assets, supporting art projects, and preserving a community's historic buildings will help maintain the economic and aesthetic vitality of the community. "Quality of life" is a key consideration for businesses looking to settle in a community. The things in your community that make you feel good about living there will also attract new residents.</p>
<p>Questions to ask yourself as you fill in the worksheet:</p>	
<ul style="list-style-type: none"> ❖ What educational opportunities are present in your community? How are these being used to improved business conditions? ❖ List arts and cultural assets in the community. What facilities, traditions, landmarks, or activities are particularly noteworthy? ❖ How does the cost of living in your community compare to the state as a whole? ❖ What recreational opportunities are unique to the area? ❖ What community assets keep businesses in town? ❖ What community assets attract tourists? 	<ul style="list-style-type: none"> ❖ What special amenities or assets might encourage new businesses in your community? ❖ What amenities do residents want? Can you find a local entrepreneur who might wish to supply those services? ❖ What type of reputation does your community have in the region? Is it known for having special cultural events or recreational facilities? ❖ How would you describe your community's way of life?

WORKSHOP A1

Analyzing Factors

Use this worksheet to record your analysis of how each factor affects your community's economy. The factor summaries on the following pages include questions and case studies, which illustrate in more detail each factor's influence on business conditions.

Remember that anything you're thinking is relevant to this discussion, if only to keep your mind open to seemingly minor ideas that might turn out to be of major importance. If you need more room to record your group's responses, use the four-window box on the next page.

☒

- ☐ Factor #1-Access to Capital
- ☐ Factor #2-Business Environment
- ☐ Factor #3-Infrastructure
- ☐ Factor #4-Human and Natural Resources
- ☐ Factor #5-Quality of Life

PROBLEMS

ASSETS

NEEDS

WINDOWS OF OPPORTUNITY

Figure 4.13
Analysis of Opportunities and Threats

Reprinted, with permission, from the *Business Opportunities Workbook*.

sources which make the community an attractive setting for businesses; "Needs" are specific requirements of certain firms or individuals; "Windows of Opportunity" are special events or changes occurring at a given period in time. As participants work through a factor analysis, questions are likely to arise regarding factual information participants would find useful. A "Need To Know" list provides reminders for further data gathering.

In the period between the first and second workshops, participants are asked to complete individualized questionnaires. This homework questionnaire encourages individual thought about specific actions that might promote primary goals of plugging the leaks, supporting existing businesses, encouraging new enterprises, and recruiting compatible new businesses (Figure 4.14).

In the second workshop, participants work primarily in small groups, to incorporate the results of the first session's factor analysis with the homework questionnaire they have just completed. Now participants identify "Problems," "Assets," "Needs," and "Windows of Opportunity" as they pertain to one of the "Four Principles." The analysis here parallels the previous factors analysis. Following this second workshop, participants are asked to read *The Business Opportunities Casebook*, a compendium of successful local development projects which illustrate Rocky Mountain Institute concepts.³⁰ The intent is to prepare participants for a

Figure 4.14
Taking Simple Steps to a
Stronger Economy

Reprinted, with permission, from the
Business Opportunities Workbook.


HOMEWORK

Understanding Economic Renewal Principles

Complete this homework exercise on your own. It should take less than an hour of your time and will prepare you for Workshop B. There you will look at local business conditions in terms of the four Economic Renewal Principles: plugging the leakage of income and resources from your town's economy; supporting enterprise that already exists in your community; encouraging new enterprises with opportunities you have identified; and, lastly, recruiting outside businesses that are compatible with your community's vision.

Principle #1
Plug the Leaks

Consider the reservoir and flow of income and resources around and through your economy. Are vital inputs, skills, and assets leaking out of your economy? Do local paychecks pay distant merchants for daily bread? Does the education you gave your children go to the big city with them? Do non-locally owned banks invest your deposits elsewhere? Plugging such leaks not only preserves valuable resources, it also presents new opportunities.

 Look at your checkbook.

In the last three months, how many checks have you written to establishments outside of your community (mail-order catalogs, utility bills, car repairs)?

What actions have you taken, either at home or at work, that allowed money or resources to leak from your community?

In the last three months, how many checks have you written to establishments outside of the state?

In the past week, can you think of any actions that you, your family, or co-workers have undertaken that have prevented the unnecessary leakage of dollars from your community?

How many deposits have you made to financial institutions that are not in your state?

third workshop: "Generating Project Ideas." This workshop—in a format similar to that of *Take Charge*—involves small groups brainstorming to create lists of project ideas based on previous analyses. A summary sheet of those analyses can serve as a useful reminder of previous findings (Figure 4.15). Group participants are now ready for the final step in the revitalization planning process: selecting from among a range of possible strategies those most suited to community and local business characteristics.

WORKSHEET B1-Applying Principles

Each member of your Principle Group should have a list of findings from the last workshop. On this worksheet, list the problems, needs, assets, and windows of opportunity that relate to the Principle your group is working with.

Circle and connect those items that might work together for generating economic renewal project ideas. Feel free to use a chalkboard or large sheet of paper, using the chart below as a model, if this worksheet proves too small.



☐ Principle #1-Plug the Leaks

☐ Principle #2-Support Existing Business

☐ Principle #3-Encourage New Enterprise

☐ Principle #4-Recruit Compatible Business

PROBLEMS					
NEEDS					
ASSETS					
WINDOWS OF OPPORTUNITY					

Figure 4.15
Developing Project Ideas

Reprinted, with permission, from the
Business Opportunities Workbook.

Selection of Viable Strategies

In order to use available resources as effectively as possible, the field of imagined projects must be narrowed down to include only those projects that represent the best fit between needs and capabilities.

Cost-Benefit Analysis as a Selection Criteria

A brief section on "Selecting Strategies," in the economic strategy sourcebook, *Local Economic Development*, describes the process of selecting from a number of attractive strategies in terms of benefits and costs.³¹ Costs which can be calculated in dollars include items like personnel, building space, materials, utilities, and transportation. Large projects often require an estimate of total program costs. There are also social considerations which must be taken into account, either by comparing the level of attractiveness of the various outcomes or by a sensitive process of assigning dollar values to them. *Local Economic Development* gives an account of steps basic to a cost-benefit analysis:

- Listing the projects, along with anticipated effects for each
- Classifying each effect as a cost or benefit
- Estimating the dollar value of each cost and benefit
- Estimating when a cost or benefit will occur, and converting the value of future costs and benefits into present value
- Considering both best and worst case scenarios
- Considering how different groups or segments of the community are likely to be affected by various benefits and costs
- Making relative comparisons among all the projects by placing each project on a benefit-cost matrix

Another approach to assessing relative project costs is provided in the *Take Charge* manual's "Risk-Benefit Analysis Grid" (Figure 4.16). This grid points out that benefits, costs, and risks should be considered for each project individually. In many cases, the costs of failure naturally get the most attention, but recognizing the price of success is important too. Even projects that have very attractive benefits may involve significant money and entail substantial risk. Some recommend that participants consider best and worst case scenarios separately, so that the costs of success are considered explicitly. Also many risk factors cannot be known from the start. The tool can be used to help identify elements of risk (e.g., a bidder's price, a business's investment, a state funding decision) early on so that community leaders can know in advance when and how they will reevaluate whether even the best-case scenario will be good enough.

Risk-Benefit Analysis Grid

1. Risks:

1. Select the level of risk you assess for the project:
 High Risk - Top Row
 Medium Risk - Middle Row
 Low Risk - Bottom Row

2. Considerations:
 Social risks of failure (list)

Economic costs and risks: (list)

Risks:

High Risk	E	D	C
Medium Risk	D	C	B
Low Risk	C	B	A

Low Benefit
Medium Benefit
High Benefit

III. Projects passing the feasibility screen:
 Items with low risk—high benefit will be noted in grid-box A. Those with low risk—medium benefit will be noted in grid-box B. Projects rating A, B, C should be considered for further planning in the next session.

II. Benefits:

1. Select the level of benefit you assess for the project:
 Low Benefit - Left Column
 Medium Benefit - Middle Column
 High Benefit - Right Column

2. Social and economic benefits: (list)

Benefits: Impact Return Expected

Figure 4.16
The Cost-Benefit Analysis

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Take Charge.

Other Strategy Selection Processes

Factors other than a simple consideration of cost and benefits may be pertinent to selection of revitalization strategies.

Assessing likelihood of project completion. The *Take Charge* manual encourages planning participants to rate their community's capacity to accomplish a project as a component of strategy implementation (Figure 4.17). Numerical ratings are assigned for several constituent elements: "Human Resource," "Entrepreneurial," "Industrial/Business Development," "Financial," and "Infrastructure Improvement Capacity." Projects are compared on the "Risk-Benefit Grid" to determine which the community seems most capable of accomplishing. Each item on the worksheet is defined by a list of questions about pertinent community attributes. (As an example, the criteria for "Financial Capacity" are reprinted in Figure 4.18.) The degree of detailed scrutiny here is appropriate, inasmuch as it orients participants toward the practical challenges required by actually implementing selected projects.

Figure 4.17
Weighing the
Feasibility
of Alternative Actions

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 from *Take Charge*.

Rating Sheet for the Community's Capacities			
EVALUATE OUR CAPACITY: (Instructions: In the blank space to the right of the capacity evaluation criteria, evaluate the community's capacity to accomplish the project to implement an economic development strategy. Not every item applies for every strategy.) Use: 1 = very high capacity 2 = high capacity 3 = medium capacity 4 = low capacity 5 = very low capacity NA = not applicable	Strategy: _____ _____ _____	Strategy: _____ _____ _____	Strategy: _____ _____ _____
	Project: _____ _____ _____	Project: _____ _____ _____	Project: _____ _____ _____
HUMAN RESOURCE CAPACITY: A. Leadership Capacity B. Attitudes Toward Community Development C. Political Clout D. Organizational Structure E. Prepared for Community Economic Development F. Cooperation with the Neighboring Communities			
ENTREPRENEURIAL CAPACITY: G. Attitude toward Business Development H. Education Programs I. Ability to Evaluate the Components of a Business Plan			
INDUSTRIAL/BUSINESS DEVELOPMENT CAPACITY: J. Probability of Targeting and Attracting New Industry and Businesses K. Develop Homegrown Industry or Business L. Existing Business Retention Program M. Tourism Development			
FINANCIAL CAPACITY: N. Grant Writing Skills O. Is Business Risk Capital Available? P. Capacity to Finance Public Community Development Projects			
CAPACITY FOR INFRASTRUCTURE IMPROVEMENTS: Q. Community Development Improvements R. Develop Amenities for a Retirement Community S. Develop Amenities for a Commuter/Bedroom Community			
Give an overall evaluation of the capacity of the community to accomplish the strategy-project based on the 19 items	overall rating (circle one) 1 2 3 4 5	overall rating (circle one) 1 2 3 4 5	overall rating (circle one) 1 2 3 4 5

Criteria for Rating Community Capacity

FINANCIAL CAPACITY

- N. Grant Writing Skills: Are these skills accessible to the local community? Have one or more persons been assigned the job of keeping current on opportunities for grants? Are there people available to track state and federal funding sources?
- O. Is Business Risk Capital Available?:
- Are all the major financial partners in the venture sharing the risk?
 - Develop financing packages using a combination of private and public dollars
 - Set up revolving loan funds
 - Is there a potential for developing a capital pool with neighboring communities?
- P. Capacity to Finance Public Community Development Projects:
- Does city government have bonding capacity available?
 - Is Tax Increment Financing feasible for this project?
 - Organize a community foundation to solicit funds from estates, businesses and voluntary contributions
 - Organize community fundraising projects

Figure 4.18
Elements of Local Capacity

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Take Charge.

The Rocky Mountain Institute approach to smarter selection. The Rocky Mountain Institute combines cost-benefit analysis with an assessment of the likelihood of project completion. Its *Business Opportunities Workbook* guides participants through an extensive screening and evaluation of their project ideas.³² At the conclusion of informal brainstorming sessions—the third in the series of planning sessions described earlier—participants work in groups of two or three to prepare a “Potential Projects Analysis.” (A sample of the analysis appears in Figure 4.19.) Following presentations of “Potential Project Analyses,” participants signify their choice of one, two, or three projects they believe are most important for the community. The best favored projects are then subjected to further evaluation in the fourth, and final, workshop.

The Institute’s “Potential Projects Analysis” asks participants to focus on several factors. The “Community’s Preferred Future” exercise measures each project against a group’s sense of community goals, and looks for ways a project can be made more compatible in regard to those goals. A process called “Resource Analysis” allows the group to examine what will be required from the community for successful project implementations, including people, skills, and various types of financing. “Pitfalls and Liabilities” considers whether the project under examination may undermine other projects, whether it may invoke political or legal controversy, and whether it affects local interest groups fairly. “Timing” looks at when a project should begin, how long it will operate, how its timing compares to that of other projects, and likely duration of effects. “People and Politics” asks who will lead a project, who else will be involved, which organizations will support it, and whether at least two of the community’s four sectors (government, private, education, nonprofit) will be involved. The exercise examines who might be expected to benefit or oppose the project and whether the effort can be shaped to accommodate potential opponents. (A worksheet is reprinted in Figure 4.20.)

In a summarizing task, the small group working on each project rates both the probability of the project's success, and the magnitude of benefits resulting from a successful outcome. With this rating in mind, participants decide whether a project is worth implementing, in need of further information to reduce uncertainties, or far too risky. All potential projects deemed worth pursuing or in need of further consideration are scheduled according to an implementation hierarchy: immediate implementation, short-term action within one year, implementation within one-to-three years, or longer term implementation.

Figure 4.19
Selecting Projects

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Take Charge.

Demonstration Worksheet C2-
Exploring Project Ideas

This demonstration worksheet illustrates how to complete Worksheet C2. In this example, one project idea has been included for each Principle.


☒ Principle #1- Plug the Leaks
☐ Principle #2- Support Existing Business


Try to generate at least three project ideas to address the Economic Renewal Principle your group has chosen.


☐ Principle #3- Encourage New Enterprise
☐ Principle #4- Recruit Compatible Business

PROJECT IDEA	HOW WOULD THE PROJECT IMPROVE LOCAL BUSINESS CONDITIONS?	WHAT RESOURCES DO YOU NEED FOR PROJECT SUCCESS?	WHAT INFORMATION DO YOU "NEED TO KNOW" TO START THE PROJECT?
Retention & Expansion Project (Principle #1)	It will assist troubled businesses and keep them around as customers for other local businesses. It will maintain local ownership and control of business conditions and keep money in local economy.	We need a creative person to help existing businesses identify options.	We need to survey businesses about their situation and consumers about their preferences.
Downtown Revitalization (Principle #2)	It might improve the streets in town. It will bolster community spirit. It's an incentive for businesses to expand and an attraction to shoppers.	We need a downtown business association or some other organization to lead the effort. We need trees, volunteers, and flower boxes for beautification.	We need to know what the community wants its downtown to look like. We need to learn about restoring historic buildings. We also need to know which services, stress, and events would attract consumers.
Improve Business Climate Through Government Relations (Principle #3)	If government and small business worked closer together, they would learn how each operates. This could save time and money in red tape and administration for both government and business.	We need representatives from both the government and small business community to work on common issues. We also need regular meetings.	We should learn about federal, state, and regional laws and how they affect business operation. We need public input on the responsibilities of government and business.
Undertake Targeting Study (Principle #4)	We might find a company with distribution networks vital to marketing efforts of local businesses. Such a study will help us understand our strengths and weaknesses.	We need good infrastructure to accommodate new business.	What are the net costs and benefits associated with bringing in different types of companies? Are there any businesses in our region that plan to expand or move? Will state government help?

Worksheet D-1
Task #4-People & Politics

 List groups or people who might receive special benefits.
What resources or effort will these groups contribute to the project?

 List key people and groups who would oppose the project.

 Why would they oppose the project?


 How can you shape the project to get their support or neutrality?

Figure 4.20
People and Politics Worksheet

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Take Charge.

Conclusion

This chapter has attempted to review the main steps in the process of community strategic planning without duplicating the substantial number of manuals and guidebooks that already exist on the topic. We chose to do this by reprinting portions of the major community strategy guides (with permission from the authors and publishers). Brief reviews and information about how to get these and several other worthy publications are listed in the next section, *Community Strategy Guides: What, Where, How Much?*

All community self assessment techniques and tools included here are designed to help community leaders establish action priorities. All help match local needs to achievable goals. All are based on experience and careful testing in small communities. Many propose a list of strategy alternatives as a starting point.

The differences between these models reflects an earnest debate about what works best. Who should be included in the process? What information should be gathered, and how? What are the key types of strategies? By what process should the community assess its action options? Debate over these questions should neither discourage nor distract community leaders. To the contrary, the quality of this debate reflects the constant refinement of tools. Community leaders can rest assured that, whatever process is chosen, other good options will exist; whenever they are selected, "new and improved" tools will appear soon after. For the most part, however, all the tools can help get communities through planning and program reassessment.

Strategic planning is not something to just "get through," but neither is it an action step. It is nothing more or less than an ongoing springboard for activities that can be broadly supported, intelligently realized, and consistently sustained to positive effect. The process is critical so that the real work can be carried out with confidence.

The following chapters build upon this base. To this point, this guide has concentrated on the larger community and dealt with its strategic choices for revitalization rather broadly. In the Northwest, the choices that are ultimately made often must and will include initiatives to derive the most economic value from the natural resources upon which communities have long depended. However, measures to add value to commodities are not always well understood, leading many communities to instead emphasize business attraction and other strategies which are easier to shape but which may have far less chance of success.

The remaining chapters seek to increase understanding of the alternatives communities can employ to meet the value added challenge. We concentrate on value added strategies, not because all communities should pursue value added options, but because for many, the need for workable program models is so great. Unlike most options, there are no well-worn paths that lead rural communities to value added economic development. Thus, while the strategy may be attractive to communities, businesses, workers, and environmentalists alike, the actual tasks may seem dreamy, ill defined, and hopeless. Promising local examples of value added enterprise development are only now emerging in numbers. The final two chapters present models that seem to be practical and replicable in many smaller communities.

Community Strategy Guides: What, Where, and How Much?

Clues to Rural Community Survival,

(5th edition), 1989, Vicki Luther and Milan Wall.

Twenty clues to rural community survival; explained in short paragraphs, and portrayed in a baker's dozen of community examples. These are engaging narrative descriptions of towns mustering the strength to do what needs to be done. The Midwest flavor is strong on agriculture, and the ideas transfer easily to small towns in the Northwest. 68 pages. \$10.

Order from:

*Heartland Center for Leadership Development
941 O Street, Suite 920
Lincoln, NE 68508
402-474-7667*

Community Economic Analysis: A How-To-Manual,

1984, Ron Hustedde, Ron Shaffer, and Glen Pulver.

Even though the number crunching may best be left to professionals, it helps to know what the numbers mean. With this guide in hand, everyone working in community development can understand the fundamentals of economic base analysis. The question-answer format simulates instructive discussion, and practical examples illustrate each measurement technique. 84 pages. \$3.50.

Order from:

*North Central Regional Center for Rural
Development
216 East Hall
Iowa State University
Ames, IA 50011
515-294-832*

A Community Researcher's Guide to Rural Data,

1990, Priscilla Salant.

A concise, readable map that makes the maze of government data sources more comprehensible. Useful illustrations and examples; thorough contents page and index, glossary of terms and acronyms. Production was funded by the Rural Economic Policy Program of The Aspen Institute and The Ford Foundation. 93 pages. \$19.95.

Order through local bookstore, or from:

*Island Press
P.O. Box 7
Covelo, CA 95428
800-828-1302*

The Entrepreneurial Community: A Strategic Leadership Approach to Community Survival,

1989, Vicki Luther and Milan Wall.

This inventive and people-oriented approach to strategic planning by communities is both pragmatic and lively. The volume is a distinctive departure from more structured formats, yet it includes many basic techniques for community meetings and discussion material for small groups. 80 pages. \$21.95.

Order from:

*Heartland Center for Leadership Development
941 O Street, Suite 920
Lincoln, NE 68508
402-474-7667*

Gem Community Certification Manual,

(2nd edition), 1989, Idaho Department of Commerce.

Even though portions of this guide are specific to Idaho requirements, it can serve anyone as a useful written example of the steps in a basic SWOT (strengths, weaknesses, opportunities, threats) analysis. \$10.

Order from:

*Idaho Department of Commerce
700 West State Street
Boise, ID 83720
208-334-2470*

Order from:

National Association of Towns and Townships
1522 K Street NW, Suite 730
Washington, DC 20005
202-737-5200

Harvesting Hometown Jobs: A Small Town Guide to Local Economic Development,

1990, Nancy T. Stark.

This is probably the most succinct introductory overview of community economic development available, and is highly recommended for orienting potential leaders and participants to the process. A well-written, balanced presentation at an affordable price. 34 pages. \$6 for non-members.

Order from:

International City Management Association
777 North Capitol Street NE, Suite 500
Washington, DC 20077-0621
202-962-3620

Local Economic Development: A Strategic Approach,

1984, Philip Favero and Cheryl Farr.

This training package is designed to assist the non-specialist working with local community leaders. A handbook briefly outlines the principles and a user's guide describes a sequence of strategic planning meetings. A set of survey instruments provide examples of primary data collection. 79 pages, plus a handbook on human resource development. \$60.

Order from:

Western Rural Development Center
Ballard Extension Hall 307
Oregon State University
Corvallis, OR 97331-3607
503-737-3621

Population Change in Local Areas,

1986, Annabel Kirschner Cook.

A brief introduction to useful population data in rural communities, this monograph is part of a series entitled *Hard Times: Communities in Transition*. Other titles address local business development, trade area analysis, central business district renewal, and local government budgetary constraints. 15 pages. \$1.

Order from:

The Corporation for Enterprise Development
777 North Capitol Street, Suite 801
Washington, DC 20002
202-408-9788

Sowing the Seeds of Economic Renewal: A Practical Guide for Assessing Your Community,

1986, William Schweke and Rodney Stares.

The tone and content suggest that this manual is written for consultants working with medium-sized towns. The emphasis is on job creation, and the perspective encompasses national and international conditions. An interesting and useful conceptualization for those readers familiar with the fundamentals of local economic development. 46 pages. \$10.

Order through local bookstore, or from:

The Johns Hopkins University Press
701 West 40th Street
Baltimore, MD 21211

Saving America's Countryside: A Guide to Rural Conservation,

1989, Samuel N. Stokes, A. Elizabeth Watson, Genevieve P. Keller, and J. Timothy Keller.

A broad, yet detailed survey of efforts to preserve the integrity of rural community structure and environment. A wide variety of case studies throughout the United States are presented in an exceptionally striking format. Dozens of illustrations, maps, and photographs punctuate a text providing local residents with a step-by-step approach to retaining valuable assets of the community. Directory of organizations, annotated bibliography, complete index. Produced by the National Trust for Historic Preservation, this volume is a remarkable value. 306 pages. \$16.95.

Public Opinion Polling: A Handbook for Public Interest and Citizen Advocacy Groups,

1987, Celinda C. Lake, with Pat Callbeck Harper.

An excellent how-to manual for those interested in conducting effective, credible surveys of community opinion. The emphasis is pragmatic and instructive, with just enough discussion of sampling theory to ensure proper understanding of the survey tools and techniques. Produced by Montana Alliance for Progressive Policy, this is a comprehensive, start-to-finish guide with illustrations, index, glossary, bibliography. 162 pages. \$19.95.

Order from local book store, or from:

Island Press
P.O. Box 7
Covelo, CA 95428
800-828-1302

Revitalizing Downtown,

1988, Kennedy Smith.

This is the comprehensive training manual for National Main Street Center programs being carried out in hundreds of cities and towns throughout the U.S. Participation is premised on a community's willingness to make substantial commitments of time and money. A review of this inexpensive manual would be a good introduction to the Main Street Center's principles of operation. Carefully written, with a strong focus on architectural design and financing; extensive bibliography. 185 pages. \$35.

Order from:

National Main Street Center
National Trust for Historic Preservation
1785 Massachusetts Avenue, NW
Washington, DC 20036
202-673-4219

Take Charge: Economic Development in Small Communities,

1990, Janet Ayres, Robert Cole, Clair Hein, Stuart Huntington,
Wayne Kobberdahl, Wanda Leonard, Dale Zetocha.

This excellent manual has been designed and written for use by development specialists working with rural communities. It was revised through field testing, and is being distributed widely throughout the U.S. The basic diagnosis/vision/action format is outlined in three sections: *Where Are We Now? Where Do We Want To Be? How Do We Get There?* Concise, instructive text with a generous supply of supporting material in two appendices. 225 pages plus overhead reproductions. \$14.

Order from:

North Central Regional Center for Rural
Development
216 East Hall
Iowa State University
Ames, IA 50011
515-294-8321

Small Town,

Ken Munsell, editor.

This highly informative bimonthly journal, first published in 1969, covers down-to-earth programs dedicated to keeping small communities alive and healthy. Most articles draw upon non-technical case studies to illustrate how local agencies and citizen groups are successfully addressing the full range of issues in rural settings. Engaging editorials, incisive book reviews, and readers' letters round out each issue. Annual membership/subscription for individuals is \$30; for institutions, \$35.

To order, contact:

Small Towns Institute
Third and Poplar
P.O. Box 517
Ellensburg, WA 98926
509-925-1830

Order from:

Western Rural Development Center
Oregon State University
Corvallis, OR 97331
503-754-3621

For more information:

Rocky Mountain Institute
1739 Snowmass Creek Road
Snowmass, CO 81654
303-927-3851

U.S. Small Business Administration
Rural Development
Business Development Division
999 18th Street, #701
Denver, CO 80202
303-844-3984

Order from:

Agricultural Bulletin, Room 245
30 North Murray St.
Madison, WI 53715
608-262-3346

Order from:

Mary Simon Leuci
Clearinghouse for Community Economic
Development
University of Missouri Extension
Lincoln University
628 Clark Hall
Columbia, MO 65211
314-882-2937

Getting Down To Business, 1988.

This is a massive collection of materials, from numerous authors, originally used in a week-long series of workshop presentations. The focus of the training is business assistance, with a small section on community economic analysis. The many illustrations designed for use with overhead projectors might make this resource particularly helpful in training volunteer participants. 488 pages. \$55.

Business Opportunities Workbook, 1989, Barbara Cole. **Business Opportunities Casebook,** 1988, Barbara Cole.

The Rocky Mountain Institute began developing its Economic Renewal Program for smaller communities in 1983. The Institute now offers a field-tested series of workshops which enable communities to plan and implement practical development strategies. These two companion volumes detail the structure and content of their primary workshop series, and are well worth reading. Many case studies of successful projects, worksheets, bibliography. These two volumes have been published under the sponsorship of the U.S. Small Business Administration and are available from them. There are additional titles in this series on special topics, including *Energy and Financing*. Workbook, 81 pages. \$20. Casebook, 54 pages. \$20. (Or free, from the S.B.A.).

Community Economic Development Strategies, 1986, Glen Pulver.

One short monograph providing the underlying concepts that have launched many local economic development programs, at a truly affordable price. 17 pages. \$0.90.

Tool Kit for Community (Alternative) Economic Development,

1990, University of Missouri Extension

This kit was prepared by one of the nation's foremost state Extension-based community development programs. At its heart are three "alternative" principals of local revitalization that stress community self-reliance: import substitution, value added, and resource enhancement. These are arrayed across several community sectors, including housing, food and agriculture, waste management, etc. Within this matrix of principals and sectors are the specific strategies for community revitalization. Local leaders use computer discs to identify strategic options and learn about peer efforts around the country. Six computer discs, a video tape, a manual and index table, and the organization's newsletter makes up the kit. \$150.

**Revitalizing Rural America; Strategy Guides
for Managing Critical Rural Issues,**

1992, U.S. Cooperative Extension System

This was designed to brief County Extension Agents about how to respond to key problems in rural community economic development. The guides consist of a series of pamphlets that overview the main steps and issues in six strategy areas: economic competitiveness; economic diversification; institutional change; leadership development; local government; and natural resources. The concise publication consists of an introduction and several eight to twelve page briefing sheets. Free.

Order from:

Susan Odell

Department of Agriculture,

USDA Forest Service

S & PF - CF

P.O. Box 96090

Washington DC 20090-6090

202-205-1394

Chapter 4 Notes

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5

Value Added Strategies for Rural Economic Development

As production of raw commodities has become more and more efficient, the economic effects have rippled through rural communities. It is a good sign when a community's most basic employers achieve efficiency gains that allow them to keep up with and even lead the pace of competition. The effects of these gains, however, are not entirely positive. The erosion of economic prosperity that efficiency brings to a resource dependent community may be seen differently from the community's perspective (Figure 5.1).

Over time, farming, logging, mining, and fishing require fewer workers to produce the same output. As this happens, second tier companies that have grown up providing technical expertise, manufacturing equipment, and goods and services to these basic industries find fewer business opportunities close to home. Service firms that have depended upon these sectors, providing them banking, insurance, and professional assistance, are being passed by in favor of more specialized expertise available elsewhere. The effects of all these changes, including the closure of plants which cannot achieve sufficient productivity gains, strain communities' capacity to maintain basic services: fewer jobs mean fewer students in school, fewer patients for local clinics and hospitals.

Few communities experiencing problems like these deny a need to encourage efforts (in public and private sectors alike) to capture more value from processing and marketing of local goods. After all, resource industries are expected to remain a part of the local economy and continue to offer important opportunities for local employment. Production of more specialized goods can squeeze more jobs out of nearby resources before those resources leave the local economy.

But the obstacles facing small communities attempting to encourage value added production are great, and the hurdles are higher in smaller and more remote places. The strategy often requires tools not always easily accessible: tools such as capital, technology, training, and market and product expertise. Even where these tools are available, their application in small community businesses may be a problem. Enterprises tend to be scattered over vast geographical areas, and operated by managers who feel alienated from typical development approaches; such businesses are distant, in many respects, from community attempts to serve them. Thus, development of value added opportunities requires that a diversity of tools be delivered effectively to an audience that may be both disinterested and widely scattered.

Given such difficulties, it is little wonder that business leaders are drawn to more straightforward enterprise development strategies: diversification through business recruitment, creation and promotion of tourist amenities, and attraction of a retiree population. These efforts are much more easily undertaken at a local level, even by very small communities.

There is evidence to suggest that value added strategies do have an important place in the small communities which overcome such challenges. This chapter is inspired by seemingly effective value added efforts underway in some less populated areas of the Northwest.

Figure 5.1 Rural Economies Under Pressure

Rural areas have some 21 percent of all the jobs in the U.S. economy today, but they are heavily over-represented in natural resource industries (55 percent), and in routine, low-skill manufacturing industries (30 percent), both of which are declining and under pressure from international competition.

"Real Help: Britain's Novel Approach to Rural Development" by William Nothdurft, Entrepreneurial Economy Review January / February 1990.

The Value Added Challenge

In city and country alike, development efforts are motivated by a core of basic objectives—fostering local vitality, generating opportunities for citizens, enhancing basic services, and improving the amenity values and quality of life. These goals are common to many development efforts. But communities approach these goals with different tools and start with different underlying challenges. It is impossible, even among rural communities, to propound a strategy that is suitable for all places, as though communities have the same problems and prospects. They do not.

Years of careful study have established one fact: rural communities don't have many people in them. This much is the undisputed common characteristic of rural places. But in other ways, rural communities are markedly diverse. Some rural communities do have cities nearby. This opens up a whole range of development opportunities to them. Businesses are more easily swayed to locate there, travelers to stop there, and commuters to settle there. Local enterprises can more easily take advantage of nearby city markets for services, supplies, and sales. The primary challenges in such places have often dealt as much with managing growth as encouraging development.

Other communities, regardless of their proximity to urban centers, have grown up as the point of origin for basic commodities sold to diffuse global markets. In many cases, reliance upon these commodities as a major income source is fostered by federal programs for agriculture, mining, and forestry, which concentrate the great bulk of their resources on encouraging primary production. As these sectors have matured, however, the ceiling of opportunity has fallen lower and lower for the places that they call home: over time, the sectors have generated fewer jobs, sustained fewer secondary businesses, and purchased their services from more and more distant sources.

Such is the nature of the much heralded "global economic transformation." In this new business environment, commodities may come from the rural areas, as ever, but are produced using machinery and services imported from overseas as easily as from next door. Thus, traditional commodity production jobs wane even as local output is steady and increasing, making new activities increasingly important to local vitality. Service sectors, new technology, improved communications, and "lifestyle" settlers are now more potent forces of growth in rural areas than the commodity-producing sectors.¹

It is not certain that any individual small town will either gain or lose jobs in this transformed economic setting. New opportunities exist, but no outside action can ensure that these opportunities are taken advantage of by communities or the businesses in them. Unfortunately, in the competition for public and private investment, those places less reliant on traditional resource industries in the first place are at a distinct advantage. Non-resource dependent communities—those that have drawn "lifestyle" settlers, those with substantial government employment, and those with a more diverse manufacturing base—appear to be most successful at getting private and public investment alike.² This represents the greatest challenge facing resource dependent communities today: as they continue to rely on industries that are slowly working themselves out of jobs, other opportunities seem bound for elsewhere.

Under such circumstances, there is a temptation to view traditional resource sectors as the "problem." It is important to remember that these long depended-upon sectors can also be an important part of the solution.

Goals and Barriers to Adding Value Locally

Value added economic development efforts attempt to squeeze jobs back into nearby resources by capturing more of the benefits of production locally (Figure 5.2). In many cases, this means fostering manufacture of new, more specialized goods. In addition to lumber, furniture may be produced; in addition to flour, pasta. In other cases, it means reaching new markets with existing products. Products like smoked fish and farm machinery have broader high-end markets, if only local producers can gain access to them.

This is the ultimate promise of value added development: firms will become more able to compete. Competitive firms are better able to pursue specialized markets, to produce higher quality products, to demand more highly skilled workers, to pay their workers well, and to generate more opportunities for firms around them. The benefits of value added production can be captured by the community in the form of increased wages and profits, added stability, more jobs from commodity inputs, and more opportunities for local businesses. Value added strategies offer high ground in a sea of tense relations, conflicting priorities, and cross purposes that have divided the development priorities of communities and natural resource dependent enterprises.

That's the vision, anyway. In practice, communities and the businesses within them often fail to see eye-to-eye about why and how they should undertake additional processing and marketing. Communities may see value added development as a path to jobs that are more stable, better paying, and more highly skilled. In many cases, the community's fixation on immediate job creation may shut out those businesses less concerned with immediate job growth. Communities may need to learn to view job creation as the ultimate result, rather than the immediate payoff, of a climate that encourages firms to undertake new ventures.

The community's interest in local benefit is mirrored in a comparable, but opposing, interest on the part of businesses themselves. Many companies see value added production as a way to squeeze additional benefit out of existing resources. In this case, "capturing more value" may mean cutting wages in existing facilities, moving management functions to distant locations, and contracting new production to firms in other locations. Such steps may indeed add value for the firm, but in ways that are antagonistic to local interests.

Encouraging individuals who live and work in rural economies to seek out and capitalize on new opportunities in the global marketplace requires real partnerships between business and public leaders. On the community side, public leaders involved with value added initiatives may need to respond more directly to profit-centered goals of businesses. On the enterprise side, employers may need to understand that public interest in their success goes beyond profits and jobs.

Figure 5.2 **Value Added Defined**

Value added: industrial activity that generates increased capture of the benefits of production and product differentiation.

Value added economic development: strategies in the public or private sector that encourage development, especially in natural resource sectors, of more and more highly differentiated markets, chiefly by increasing the value captured locally through design, processing, and marketing of goods.

The public-private sector partnerships required by such value added efforts call for particular steps and program characteristics. The primary clients of value added efforts are often regional clusters of indigenous firms. Efforts may concentrate on supplying critical services and industrial capacities needed for them to prosper. Similar businesses have similar competitive problems; they can (and often do) find solutions working in groups, even as they compete against each other. Wood or food products firms may all face shared bottlenecks, for instance, in finishing or packaging. Equipment manufacturers may have shared concerns about manufacturing capacity and expertise. For makers of specialty goods, marketing may be a significant obstacle.

In some cases, these problems may call for highly targeted recruitment by communities of firms that can fill in missing critical capacities. In others, formation of a jointly owned business venture may be desirable. In still others, improved ties between industry associations and service professionals may provide the missing ingredients needed to enable firms to understand new markets, utilize the most effective techniques and technologies, or shape more valuable products.

The Tools of Value Added Development

Often, local value added efforts require private services and technical specialists (including those provided in large trade centers) that are not generally very accessible to the groups that need them. Small rural businesses and communities often find themselves low-priority clients for professional service firms, if they are on the prospect list at all. Local or regional partnerships can work to create demand and enhance the ties between businesses and professionals that are mutually beneficial. Relationships can be developed with distant banks and risk capitalists, training programs can be established through nearby schools and colleges, and agents can be hired to crack distant markets.

Business assistance services provided by state and federal governments, including regional and university-based services, can also be tapped. In recent years, a major thrust of economic development efforts at all levels of government has been to provide financial and technical assistance needed by businesses.

Firms may face at least five interconnected challenges in the process of adding value: the lack of ready access to capital, difficulties in implementing better technology, the need to train and retrain workers, capacity to design new products, and the savvy to target those products to markets that will buy them. Yet programs exist in each of these five areas. In all, the range of these services represents a substantial commitment by federal and state governments to indigenous enterprise development. Their creation reflects growing recognition of the importance of small and medium-sized businesses to job creation and economic competitiveness.

Capital. Sufficient capital is always necessary to support a firm's new activities. Specific gaps in the availability of financing for new business ventures in rural areas have been identified, and in several cases, state and federal programs have been developed to fill those gaps.³ Among main federal resources of intervention are Economic Development Administration and Small Business Administration loan programs, made available through sub-state entities such as Community Development Corporations and Small Business Development Centers. Some states have established financing programs targeted to specific gaps. In Montana, for

instance, a micro-business financing authority has been established to help address the financing needs of very small and start-up firms. Another effort, the Montana Science and Technology Alliance, concentrates its resources on risk financing for new ventures by more established firms, with an emphasis on technology-intensive activities.

Management counseling and assistance is a proven way to reduce business mortality in new and very small firms, and hence lower the risk of business development lending. Many small business loan pools now require their clients to use such services, and typically provide them. In Montana, Capital Opportunities' targeted low-income business financing program requires monthly management consultations that it does not itself provide. In helping arrange services, the program has become highly effective at coordinating local delivery of many types of help already offered in the state. They include business counseling; specialized legal and accounting services; human services such as transportation, health care, child care, and rent assistance. The program provides an integrated channel for a variety of different services to its clients, low income entrepreneurs, demonstrating that entrepreneurship can be worthwhile for low income people and the public coffers alike. Second, it has shown that, when clients are reachable and financing is there, business and human assistance providers will respond (Figure 5.3).

Technology. Technology that has promise to improve production and enable the manufacture of new types of products is available, but is too often unused by many firms that could benefit from it. The technology challenge for most small firms may be more a matter of increasing utilization of existing technology than of commercializing entirely new ideas. As analyst Robert Friedman has noted, "Our problem in this country is not with our best firms. Our best firms are as good or better than any in the world. The problem is the general practice comes so far behind our best practice."⁴

A number of universities have established industrial extension programs to match "best" technology to enterprises in need. The oldest and best known of these programs, as far as rural areas are concerned, is the Cooperative Extension Service. The CES has a long history of transferring new tools and techniques in agriculture. Other state and federal programs have developed initiatives that apply the strengths of the extension model to other sectors. Examples include Boise State University's Technical and Industrial Extension Service and the Washington Department of Trade and Economic Development's Timber Extension Service. The National Institute of Standards and Technology sponsors university-based engineering and technology assistance programs in each state.

Training. If workers are to operate new equipment, produce new products, and assume new responsibility, training is a critical need. Creating a high-skill workplace has been one strategy emphasized as a response to competition from foreign producers whose line workers demand lower wages, and whose environmental and regulatory environment is not as restrictive as that of U.S. firms.⁵

The federal Joint Training Partnership Act has created a system that links regional Private Industry Councils to federal support for worker training. The councils help to identify industries and skills where training needs are anticipated and to direct resources to them. The states' own technical education programs are also active in responding to local training needs. Specialized training programs designed for targeted needs remain more available to larger firms, and to firms in larger places;

Figure 5.3 **Targeted Business Financing** **as a Demand Channel for Related** **Services**

Two important issues regarding micro-enterprise program design have become clear. First, business technical assistance is what guarantees the success of the program, it is the most expensive piece of the program, and it does not pay for itself through its users. Second, business technical assistance will follow targeted lending. When the capital is available, then providers begin to modify their programming.

Capital Opportunities program materials,
Bozeman, Montana, January 1991.

Figure 5.4

Export Programs: Lessons from Europe

After nearly a decade of talk among business leaders and government officials about "global competitiveness," fewer than three percent of all U.S. enterprises export. Of the American businesses that do export, the vast majority are small enterprises that make only a handful of shipments in a given year, to one or perhaps two overseas markets. That's the bad news. The good news is that there are tens of thousands of small and medium-size firms that already have demonstrated an interest in exporting and appear to have the potential to export more.

How can we help firms become more frequent and more successful exporters? The answers to this question are provided by our competitors. European public and private sector export assistance programs offer ten important practical lessons for Americans who would help small and medium-size firms to tap the enormous potential for export-led growth:

1. The primary barriers to exporting are internal to firms, not external in markets.
2. Export development is part of company development; it is a process, not an event.
3. Assistance should be targeted to the "export-ready."
4. The "export-willing" should be targeted for training—or create intermediaries to do the work for them.
5. There are external barriers to small-firm exporting, but they are surmountable.
6. Most national export assistance programs are too general to be effective; the most effective assistance is specific, intensive, and customized.
7. The real issue isn't exporting, but increasing trade flow within the global economy.
8. Export assistance works best when it is delivered by private or quasi-private sector providers, with government playing an enabling role.
9. Export assistance works best when it is regionally- and/or sectorally targeted.
10. Exporting is worthwhile only if it is profitable; if assistance is profitable, it is worth paying for.

Going Global: How Europe Helps Small Firms Export by William E. Nothdurft, 1992.

making them accessible to a greater number of smaller firms in rural communities is an unmet need. In the Northwest, both Washington and Oregon are responding to certain training needs by addressing the transition from school to workplace through apprenticeship programs and other education reforms.

Market and product development services. Lack of specific knowledge of distribution channels, processes, and requirements may stand between good products and eager-to-buy markets (Figure 5.4). Product development may be required to help design or redesign products for targeted markets. Small businesses often lack capacity in these areas, and have difficulty devoting management time and financial resources to them.⁶

Many publicly supported business assistance programs offer product and market development among their services. Some are highly centralized, such as the "electronic bulletin boards" managed by the U.S. and Foreign Commercial Services that list international trade opportunities. Others services, such as those provided by the Western U.S. Agricultural Trade Association, are using sectoral specialty to target need. State agencies support many types of marketing advisers. Among the Northwest states, the only service that is currently organized by industrial specialty is the market development program of the Washington Department of Trade and Economic Development. The department's Market and Targeted Industry Development Group focuses on five targeted sectors: biotechnology, aerospace, computer software, forest products, and environmental technology. Oregon's Department of Economic Development has established a Timber Products Competitiveness Commission which will also sponsor sectorally focused services.

Service Supply Strategies and Their Limitations

Significant as these efforts may be, a nagging question persists: Why don't more people use the services available to them? A recent survey of Washington wood products firms found that fewer than one in 20 had used any public business assistance services at all.⁷ Studies in Iowa and North Dakota have noted similarly low rates of participation in business assistance programs.⁸

The problem is often seen as a simple lack of information. If more businesses knew about the services already available, the argument goes, more firms would take advantage of them. This claim ignores several issues that hinder firms which might benefit from the technical assistance: (1) service providers often approach complex and interrelated business problems in a fragmented and piecemeal manner; (2) their underlying goals are attractive to only a small subset of businesses; and (3) they are used mostly by firms that are in transition between distinct stages of business — starting, expanding, moving, and dying.⁹

Fragmentation. Most business problems are complex, requiring skills at a number of different levels. For instance, financing a new venture may require expertise in preparing a business plan, and locating financing institutions which have the capacity and willingness to back the deal. Application of new technology has management implications on both input and output sides of the equation: issues arise about worker training, product design, process control, and equipment maintenance. Firms don't always have the time or skills they need to make good business ideas happen.

Programs focusing on a single service often lack the breadth to deal with the range of problems presented by a particular client. While there are a huge number of assistance providers, the burden is often on companies themselves to find out about various services, to determine whether or not they are worthwhile, and to take advantage of them. For those who are busy simply keeping their businesses going, this piecemeal approach may seem like more of a burden than a help.

Inappropriate goals. Assistance programs often key eligibility requirements to job creation. Such an emphasis has a certain logic to it: jobs created help the unemployed and established companies alike. Financing programs that key their eligibility to job creation, however, foreclose on other worthy goals.¹⁰ Competitive businesses tend to increase local income and wages, increase economic stability, replace imported goods with locally produced ones, and extend their market reach. Quickly growing firms—those most attractive to public and private capital alike—have a hunger for labor, capital, and consumer markets that can outpace the capacity of some rural places to satisfy them.

The perverse consequences of excluding applicants who cannot guarantee new jobs have been documented in rural areas. The Montana Science and Technology Alliance has noted instances where “entrepreneurial” firms (that is, those most single-minded about growth) have actually outgrown the state. In one case, investment by the MSTTA in a highly successful firm was considered a “home run” for the program. Unfortunately, the enterprise moved away: subsequent private venture capital required the business to locate nearer to major metropolitan markets.¹¹ Public investment in this company, presumably, meant that other firms—perhaps more loyal, less “entrepreneurial” ones—were denied funding.

Focus on firms in transition. By providing general business assistance, many technical assistance programs have been most useful to firms that are at turning points in the business life cycle—starting, expanding, dying, and moving.

Incubators and business development centers scattered around the countryside are perhaps the most broadly used tools for coordinated delivery of business assistance. Most, like the Women’s Economic Development Group, in Montana, merge basic business counseling and financing assistance in a way designed to be useful for smaller businesses. Established businesses that want to innovate often find that their needs are more specialized than small business-oriented programs provide.

Owners of established businesses, whether they are loggers or log home builders, miners or metal benders, dairy farmers or cheese makers have very particular problems. Analysts have turned their attention to finding ways to bring useful services to these clusters of enterprises.

Demand-Driven Economic Development Strategies

In what is often a competition among communities for a limited pool of business development resources, rural community leaders find themselves in a circular dilemma. Rural-based businesses that could add value need a higher order of technical services to compete effectively in the world economy; yet neither community leaders nor private-sector specialists can assure that specialized services will be used enough to justify the cost of providing them.

A Definition of Demand-Driven Strategies.

For all that they have achieved, supply-side business development approaches show limited capacity to reach the very segment of the business community that could build new prosperity on the foundation of the historic competitive advantages in many rural areas. Some development leaders have succeeded in reaching businesses interested in value added production by working from the other end of the spectrum—with the businesses themselves. Their approach has been dubbed *demand-driven*.

Demand-driven approaches work primarily to organize and facilitate the efforts of particular companies that are attempting to prosper by increasing their competitiveness. Business groups, and those that serve them, develop a shared set of business-like objectives which can be embraced by the public. Once objectives are defined, public and nonprofit assistance providers work in partnership with businesses to achieve these objectives. The resulting activities enable more people to use more specialized services to local benefit.

Demand-Driven Strategies at Their Best

Lessons from the field demonstrate the promise of a coherent demand-driven strategy for value added development that can be tailored to smaller communities and the regional development groups that serve them.

Providing an effective service catalyst. Although useful services may exist, businesses that could benefit from those services are often too remote, too small, or too distracted by matters-at-hand to access them. Specialized service providers (a category that includes private-sector service professionals, as well as those in state and federal programs) have a similar, but opposing problem. They have little capacity to identify and organize prospective users in order to direct resources at them. Missing is a catalyst that can work to connect the two. Leaders close to the users themselves, who have the capacity to know the businesses and understand their specialized needs, may be best able to play this role. Efforts originating at the community and regional level in this way serve as lightning rods between players who are too busy to find each other.

Forming alliances between clusters of firms and specialized service providers can meet the goals of both service users and providers for accessible and valuable services. Communities may contribute space or staff time needed to pursue targeted efforts, acting as a sort of incubator for the value added effort itself. The community may work to attract and coordinate the involvement of professional, non-profit, university, and state services that can advance the effort's mission. Business assistance centers or incubators may be encouraged to develop specialized capabilities; for instance, in export development programs or in the problems and opportunities of specific sectors.

Identifying key value added sectors and innovative leaders. In many cases, regional resource specialties give rise to subsectoral specialties. In southeastern Montana, a bovine biotechnology sector centers around Miles City—a product of the state's historically important livestock industry. The concentration of log home manufacturers in Western Montana has been called the region's "dream industry" because of the

promise it holds for adding value to raw logs and generating spin-off opportunities for firms in affiliated industries.¹² In southeastern Washington, many agricultural equipment manufacturers serve that region's orchards and produce farms. Southern Idaho has developed an aquaculture industry that has raised the state's trout harvest to national recognition and the state's potatoes are legendary. These and many other sector specialties represent "infant" and growth industries that can be a significant source of local opportunity and competitive advantage.

Often, small but significant instances of natural interaction between like firms suggest possible roles for local economic development practice; targets that are modest and achievable by leaders even in rural environments. Interaction within a sector cluster ranges from tips and ideas exchanged through social contact to joint marketing or subcontracting ventures; from shared advice about technological innovations to common efforts in product procurement and quality management.¹³

In order to encourage such interaction, communities must first identify the extent to which this kind of exchange already takes place.¹⁴ An inquiry into the types of firms that are interested in value added goals within a local or regional area may be a good first step. The sector clusters that emerge upon analysis may not match "armchair" expectations. Clusters may exist in a subsector of a larger dominant industry; or clusters may involve producers of different products that complement each other or share market channels. Following examination of the nature of the firms, a series of focused discussions may explore how individual groups can be strengthened, additional opportunities can be addressed, and what new groups need be identified.

Finding common cause in value added goals. By establishing value added development as the common concern of public and private sectors alike, demand driven efforts can begin to identify salient, measurable goals. Firms are focused on profit; they can be expected to want to prosper by the process of adding value. Community goals may emphasize job creation, but there are many other primary goals. They include increasing wages, improving worker skills, assuring job stability, reducing environmental impacts, and generating other local business opportunities.

Continued discussions between business and community leaders can help develop steps toward meeting that challenge. Analysis of particular strengths, weaknesses, opportunities and threats may be conducted for a targeted sector. If these groups are to have an impact, however, they must move beyond organization and problem identification: they must take action. After all, if firms are to make money (as is their goal), and communities are to enhance their stability and advance opportunity (two common goals), something has to happen.

Shaping Existing Services For Demand-Driven Objectives

Demand-driven strategies do not require a wholesale reinvention of business assistance. Many local, state, and federally-sponsored assistance providers will adapt both the substance and the delivery of their programming directly to identified needs. Some are able to work with sectors to craft specialized help. Innovations in business development of this nature are laying a foundation that local leaders can harness to further benefit local firms.

A Shift in Direction for Service Agencies

Services created and delivered by agencies are in transition. Existing services are undergoing three interrelated shifts in direction: (1) they are improving their ability to serve more people and more territory, (2) they are targeting their efforts to particular industrial specialties, and (3) they are improving coordination between resources in the public and private sectors.

Scale and reach. Efforts are emerging that are designed to be more than "a mosquito on the elephant." To expand service capabilities, some assistance providers are implementing fees that enable them not to only to increase staff but deliver more valuable services. They are seeking out better delivery channels, through local public and quasi-governmental agencies, banks, and other private service professionals. They are allying with other public service providers to coordinate service delivery and enable greater intensity of effort. To reach farther afield, they are taking assistance where it is needed through "incubators without walls" and circuit rider programs.

Targeting. To meet the strategic needs of companies in different business sectors, some service providers are clearly identifying niche markets and developing targeted expertise that caters to these markets. Assistance centers have emerged in agricultural trade, value added wood products, and biotechnology, to name just a few. Those who target service initiatives carefully are better able to offer more valuable services and to work with firms over a longer period of time.

Integration. Public and private service providers are taking slow steps to better weave the various service approaches into a coherent whole. Loan packagers are helping to coordinate public and private financing sources. Managers of revolving loan funds work in concert with bankers and business counselors to link technical and financial assistance to reduce business failure rates. Some analysts have encouraged replication of European programs that merge technology, market, and product development efforts into a single assistance entity.¹⁵

The overall picture is of assistance services that are beginning to overlay existing structures with sector specialization. Using local providers as "field agents," state, federal, university, and other non-profit agencies are moving toward a more integrated approach to business assistance.

The Cooperative Extension Service and the Extension Model of Technology Transfer

The Cooperative Extension Service has excelled at bringing applied university and industrial expertise to problems of agricultural producers. The model works through hubs of applied expertise at federal, university, state, and local levels. Each level operates a variety of program specialties that are intended to be accessible from any point in the system. The approach simultaneously helps providers to overcome fragmentation of services and problems of reach that can occur in agencies which ordinarily wait for business clients to come calling. Also, it can enable several assistance providers to co-exist within the same territory and still minimize redundancy.

While the Cooperative Extension Service has substantial programs in family, youth, and community development, the largest and most

widely successful of its programs are in agricultural production. (Extension Community Resource Development programs are detailed in Chapter 3.) While it is surely the most successful model for transferring technology and "best" management practices to rural people, it has been criticized for failing to address other industries that have grown in importance to rural economic vitality. Analyst Philip Shapira suggests that we can learn much from the extension model, but that the task of reshaping extension programs for other rural industries is not a simple matter. The needs of rural-based industries vary dramatically from place to place, and from industry to industry (Figure 5.5).

Several assistance programs have adapted the extension model and applied it to a variety of technology transfer objectives. Philip Shapira has identified four strategies such programs take.¹⁶

Technology broker programs. These disseminate technical information to industrial firms and make referrals to other sources of information and assistance. The approach is designed to provide advice and limited assistance to a large number of firms. Examples of state-sponsored technology broker programs include Pennsylvania's Technical Assistance Program, and Ohio's Technology Transfer Organization.

Federally sponsored technology broker programs provide access to information developed through federally sponsored research. Examples include NASA's Industrial Application Center, which helps retrieve technical information available through a wide array of databases. In-depth consulting is made accessible through field offices in each state (Figure 5.6).¹⁷

Field office programs. These programs provide full time engineers, who work with local companies in their regions, often utilizing university-based expertise. Field office programs make available more intensive services designed for problem solving. Examples of such state-sponsored programs include the Georgia Institute of Technology and the Maryland Technology Extension Office.

Federal programs with assistance available in each state include the university-based affiliates of the NASA Industrial Application Center. These provide more intensive consultation and technical advice than are available through the NIAC information retrieval services. The affiliate programs, though uniquely geared to the needs of each state, are uniform in their goal to provide firms with consultations with experts in engineering and production management.

Another federally-sponsored program is the Federal Laboratory Consortium for Technology Transfer, which works through the major federal laboratories to provide a link between enterprises and government-developed technologies (Figure 5.7). The consortium puts users in contact with expertise in the specific sector or technology that is needed. Services can include exchange of information on hand, technical advice, and even collaborative research using laboratory facilities.¹⁸

Technology centers. Technology centers and state-sponsored consulting services act as coordinating offices. These typically organize university and private sector consultants into teams that can offer the expertise needed by client firms. They often emphasize modernization through use of new and existing technology, and offer assistance, not only in identifying alternative solutions, but also in implementation and training.

Examples of state-sponsored technology center programs include the Pennsylvania Industrial Resource Centers, and the now defunct Michi-

Figure 5.5 **Lessons of the Cooperative** **Extension Service**

Agricultural extension (offered through the Cooperative Extension Service) links publicly sponsored research in universities and USDA laboratories with individual farmers. It offers technologies with clear payoffs, rewards research geared toward utilization, is designed for local user control, and is a stable and evolved system. It is also a people-intensive system, with a ratio of about one extension staff member for every 150 farmers. This allows a high level of one-on-one contact between agents and farmers, enabling agents to develop good working relationships provide hands-on assistance, and stimulate change.

However, it would be difficult and undesirable to develop a new federal industrial extension program by simply duplicating the agricultural extension system. Compared with farmers, manufacturers often face a more varied set of problems and conditions. Manufacturers have widely differing technologies, products and processes, material needs, and markets. Interregional differences are also considerable. Thus, a variety of models and approaches may be justified, depending on the particular characteristics of the manufacturers and regions being served.

Modernizing Manufacturing: New Policies to Build Industrial Extension Services by Philip Shapira, 1990.

Figure 5.6 **NASA Industrial Application** **Center Affiliates in the Northwest** **States**

- Patrick Anderson, Alaskan Economic Development Center, University of Alaska, Juneau, Alaska 907-789-4402
- Ronald R. Hall, Idaho Business Development Center, Boise State University, Boise, Idaho 206-385-1640
- William R. Taylor, University Technical Assistance Program, Montana State University, Bozeman, Montana 406-994-3812
- Terry Edvalson, Regional Services Institute, Eastern Oregon State College, Le Grande, Oregon 503-963-1755
- Lyle M. Anderson, Small Business Development Center, Washington State University, Pullman, Washington 509-335-7876

Figure 5.7 **Federal Laboratory Consortium** **Contacts in the Northwest**

These can help match businesses to an appropriate expertise within federal laboratories. Contact:

- Allan Sjöholm, Manager, FLC Locator, DelaBarre & Associates, P.O. Box 545, Sequim, Washington, 98382, 206-683-1005.
- Loren Schmid, FLC Chairman, Pacific Northwest Laboratory, P.O. Box 999, K1-34, Richland, Washington, 99352, 509-375-2559.

gan Modernization Service. In the Northwest, the Washington Department of Trade and Economic Development has created a Timber Extension Team that advises small wood products manufacturers on technical management issues. The program supports a small cadre of experienced wood products industry managers that are made available for in-depth consultations to smaller wood products firms. The program is intended to be accessible at many points of entry, including the agency offices, local Associate Development Organizations (supported by the Team Washington, another DTED program), and through local visits by the extension specialists themselves.¹⁹

At the federal level, there are two efforts of particular note. First, the National Institute of Standards and Technology (NIST) has been charged to assist state and local industrial extension programs with technology development and commercialization; process modernization, cost effectiveness, and reliability; and product quality. As a major part of their efforts, NIST is sponsoring formation of a dozen Manufacturing Technology Centers around the country (three have already been formed, in Ohio, New York, and North Carolina). Second, is the Department of Commerce's Clearinghouse for State and Local Initiatives on Productivity, Technology and Innovation. The clearinghouse keeps a comprehensive database of federal, state, and local initiatives and regularly prepares reports about lessons learned and what approaches are working and where. With these programs, the federal government has assumed a more active role in information sharing, coordinating demonstration projects, and aiding local technology and modernization initiatives. Still, it has been observed that the efforts fall far short of being a coherent national support system serving the nation's diverse geographic and industrial needs. Total federal dollar commitment in 1990 was under \$22 million, less than two percent of the amount spent by the Cooperative Extension Service's agricultural services.²⁰

Manufacturing network programs. Manufacturing networks are regional groups of firms that cooperate where it is to their competitive advantage. These networks work from the bottom up in ways designed to take advantage of local competitive advantages. Through such strategic alliances, firms may pursue common or complementary objectives in ways that none of the participants could, acting alone: including improving technology; training workers; accessing capital; tapping larger, more distant markets; developing new products; and meeting environmental regulation requirements.

WoodNet has been established on Washington's Olympic Peninsula to foster productive relationships among wood products companies there (Figure 5.8). It is only one of several "demonstrations" around the Northwest that have attempted to make manufacturing networks work in the realm of local economic development practice.

In Oregon, a Wood Products Competitiveness Corporation is forming to foster alliances of similar and complementary businesses. In addition to helping firms identify ways they might work together to overcome common competitive threats, the envisioned enterprise clusters would provide a much more readily recognizable target for service providers of all types. Several other states are considering similar initiatives.

Producer cooperatives. Cooperatives typically concentrate on lending the power of numbers to small firms and individuals. While producer cooperatives have historically helped producers in getting standardized products to market, more and more are finding that they can help

Washington's Olympic Peninsula is home to the spotted owl and other endangered species. Pinched between less timber and more competition, people in the region's premier industry, wood products, worry that they may themselves be a vanishing breed. With help from a grant from the Northwest Area Foundation, WoodNet was created to bring strategic help to Peninsula wood products firms.

Targeting, group formation. WoodNet organizers believed that, if the small non-profit was to make a tangible difference in its three county area, firms would have to be reached in groups. Business owners favored head-to-head competition and blamed their difficult situation on federal regulation. They were in no mood to trust outside "experts" preaching cooperation. As Gus Kostopulos, who was hired to direct the effort, set out to make WoodNet work from the bottom-up, he held fast to three principles: target wood products firms; respond to their expressed needs; and, wherever possible, work with groups of businesses.

Timely, responsive, free help. Kostopulos introduced WoodNet to firms all over the Peninsula, and asked about critical needs. He then attempted to respond with some unexpected help, however modest — a log or two for a boat builder, a possible market for a mill's byproducts. By "underpromising and overdelivering," WoodNet gained credibility. Producers began to look toward the organization for ideas, and to offer ideas of their own. The membership roll grew.

A "dating" service. WoodNet arranged for business owners to tour each other's shops. Managers who had been neighbors for years often found that one made (or could make) what the other needed. WoodNet also helped establish regular meetings of firms with similar products and markets. Groups of artisans, remanufacturing firms, cabinet makers, and others were formed, and these became active forums for business ideas. WoodNet quickly became a magnet for technical business assistance. Staff were added and partnerships formed. But, finding ways firms could help each other, not counselling them, remained at the heart of WoodNet's goals. Participants gained power in numbers.

Copycat and catalyst. In many of its initiatives, WoodNet has attempted to improve the abilities of member firms by replicating good ideas. A catalog for wholesalers of wood products, for instance, was modeled after a similar register, "Maine Made." In preparing the catalog, qualified producers will be trained in production of advertising photographs and copy, wholesale pricing, and working with national buyers. WoodNet's goal here is not to run a catalog business, but to teach members the business of catalog selling.

Member prosperity the best measure of success. WoodNet's strategy seems to be working. In a few short months, the group has emerged as a member-driven association, a clearinghouse for business leads, and a conduit for technical and financial assistance. WoodNet's role as catalyst, however, means it can keep no tally of jobs "created" and businesses "saved." Says Kostopulos, "Many of these people once firmly believed that the only way to succeed was through strict adherence to a code of fierce competition against their neighbors. These same individuals now routinely communicate with each other and often enter into flexible relationships, often unaided by (and, regrettably, unknown to) the very entity that introduced them. Through its efforts, WoodNet's members have marketing opportunities they never would have discovered. Products that never would have been developed are in production and are being sold. And people who would never have met are now doing business together regularly."

Figure 5.8
Woodnet: A Network-Building Association for Wood Products Firms

Gus Kostopulos, Executive Director,
WoodNet, 127 East First St., Suite 4W. Port
Angeles, WA 98362, 206-452-2134

members to expand into high value product and market niches. For instance, Eastern Oregon Specialty Foods has helped members develop promotional materials for newly developed gourmet foods from the area, and to open regional and national markets for their products (Figure 5.9). To meet the growing demand for organic foods, the Puget Sound Cooperative Federation is assisting producers of organic meats and produce in developing reliable links to urban Washington grocery stores. Montana Agricultural Producers, Inc. (MAGPI) has enabled its members to develop certified weed-seed-free hay pellets for Japanese stock growers who are concerned about the spread of noxious weeds through imported hay.

Artisans and small producers of high craft goods may be able to use the cooperative model to advantage. Very small enterprises may share workshop space and facilities, purchase supplies together, share large jobs, or sell their goods through common channels. These firms can reap tangible benefits from working together cooperatively, in part because they are often long on craft and shy on management expertise. Such benefit is demonstrated vividly in the Lewis County Woodcrafts Cooperative. This new initiative plays the role of match-maker, finding ideas for wood products to fit the skills and time constraints of member wood workers. The coop enables the skilled woodworkers who make up its membership to work their craft with comprehensive management and marketing support provided through the cooperative.

Business incubators. Incubators commonly offer a package of low-priced office space, facilities, and services to new and expanding small businesses. This package is designed to help recipients bridge the early stages of innovation, when firms are most fragile. Business incubators usually aim to increase competitiveness of the firms they serve: creating synergy within a community of enterprises, so that clients themselves can help each other address similar or complementary problems, is one way this is achieved.

Many rural incubators have recast this model to better serve the needs of rural firms in a particular sector and product specialty niche. In Milton-Freewater, Oregon, a kitchen incubator is being developed that will offer both shared production facilities and office space to growing specialty food manufacturers. The effort has drawn on the strength of kindred efforts by the Eastern Oregon Food Specialties Cooperative and others in the region's value added food-products sector in order to ensure that the facility will be useful to its prospective clients.²¹

Mater Engineering, a consulting firm based in Portland, Oregon, has helped many communities establish industrial parks specifically targeted to attract and nurture wood processors.²² The Innovation Center at Washington State University is designed to nurture infant companies that are born of WSU technology, and another program, the IMPACT Center, concentrates on food products, their development and marketing.²³ In Montana, universities and colleges around the state, working with the Montana Science and Technology Alliance, have been designated Centers for Excellence for several targeted sectors, and are forming alliances with key industry associations.

Industrial institutes and business service centers. Industrial institutes and business service centers that reside within many colleges and universities can assist in technology transfer, provide information on domestic and international markets, and track product changes. Increasingly, industrial institutes are creating new ways of reaching groups of small firms through affiliations with industry associations and by direct research into the needs of highly targeted client groups. One example of

The long-running trend toward fewer, larger farms has put constant pressure on farm families. So many have found supplemental work that non-farm income now accounts for the greatest share of earnings of the majority farm families, nation-wide. Others are finding high value food products a viable way to diversify and stabilize family income. In northeastern Oregon, manufacturers of such home-grown items as pickled asparagus, beans, and wheat berries; gourmet popcorn; specialty garlic products; syrup, honey, and pancake mix have joined forces in a marketing cooperative for specialty foods, Eastern Oregon Specialties, Inc. Through the organization, members have developed ties to regional and national gourmet foods markets.

Users shape the initiative. Early on, a series of meetings (sponsored by the Small Business Administration and conducted by the local Small Business Development Center) identified firms that made gourmet and specialty food items, or had plans to do so. A planning committee of producers was formed to identify ways they could legally and profitably take advantage of the substantial overlap in their production and marketing activities. After hearing the advice of lawyers, accountants, and industry specialists, the group formed Eastern Oregon Specialties as a marketing cooperative.

A responsive public-sector. The organization caught the wave of a region-wide effort to support value added food products manufacturers. With support from the state's Regional Strategies program, a fund was created (administered by the East Central Oregon Association of Counties) to match producers' investments in basic marketing materials. The group was loaned a trade show booth from the Oregon Economic Development Department, enabling them to highlight Oregon's food specialties in national and international shows. An office was created as a distribution hub. In addition to filling orders for gift packages, the office also works as a wholesaler, buying and selling member goods at market prices and distributing revenues back to members, using the system of patronage dividends that pays members in proportion to their use. In less than two years, surplus revenues of the nonprofit marketing service total \$33,000.

Production capacity the next focus. Through these efforts, many members found receptive markets in regional and national gourmet shops, and some outgrew the capacity of the cooperative to serve them. Rising sales volumes raised the problem of scale -- production in small batches was no longer effective. Local producers, working with the City of Milton Freewater and the Port of Umatilla, are establishing a "kitchen incubator," through which food products manufacturers can rent industrial kitchen, product warehousing, and shipping facilities. The group (independent from the cooperative) is developing this facility carefully, based on careful survey of user needs, drawing lessons from Spokane's successful kitchen incubator, and using good quality equipment purchased second-hand.

Services follow a logical progression of business needs. The success of these regional and industrially targeted efforts have raised some important lessons. First, at every step, users themselves played the central role in defining services; public sector entities have been ready cooperators in facilitating development of, then funding worthy projects. Second, services developed following a logical progression that paralleled the needs of smaller firms in phases of development from product development, to basic marketing, distribution, and finally, large-scale production.

Growing diversity of firms demand increasingly distinct services. Today, the major challenges arise from the growing diversity of needs among food products companies. While some companies need help moving to mass production, new firms are developing products. They are challenged to maintain cooperative public-private, regional, and multi-firm relationships that can provide effective and appropriate support all along the way.

Figure 5.9 **Eastern Oregon Specialty Foods** **Cooperative**

Garth Davis, Blue Mountain Community
College Small Business Development Center,
37 SE Dorion, Pendleton, OR 97801,
503-276-6233.

Figure 5.10
AgriTechnics, Inc. and the
Palouse Economic Development
Corporation

Mary McBride, Executive Director, Palouse
Economic Development Corporation, P.O.
Box 953, Pomeroy, WA, 99374, 509-843-1104.

To suppliers, manufacturers of equipment, and providers of technical expertise, maturing resource industries mean fewer business opportunities exist close to home. Southeastern Washington is a good case in point. The region's prime specialty-produce farms, orchards, and productive wheatland nurtured a diverse agricultural equipment and service sector, and these firms face dwindling local opportunities. A group of these manufacturers, working with the Palouse Economic Development Corporation, identified a key common goal—expanding market reach—and worked in partnership to create a program designed to accomplish that goal.

Months of focused discussions. Partnerships involving firms and public development leaders were the result of months of meetings with manufacturers themselves designed to identify problems and test ideas for solving them. Ultimately, the group decided to invest in technology and information-intensive international trade services—electronic bulletin boards and trade liaison services — that all of the firms could use but none could afford alone. AgriTechnics, Inc., was formed as an initiative of the Palouse Economic Development Corporation to manage the effort.

Expanding the regional and service focus. Early on, the decision was made not to restrict this sectorally focused program to the four-county region of the Palouse. With state and foundation support, the region was expanded to include local development organizations in 11 counties throughout Eastern Washington. Participants in the program also recognized that its mission could not be restricted to trade databases. Objectives were broadened to include increasing access by companies to trade development assistance offered by many sources. AgriTechnics engaged several technical assistance providers with specialized expertise in trade development and telecommunications strategies, such as the IMPACT Center at Washington State University, the Center for the New West, Team Washington, and the World Trade Center NETWORK Bulletin Board.

Client liaison added. Delivering useful services required AgriTechnics to have an understanding of the products and capabilities of member companies. In the early months, this job fell to development leaders in each county. Local resource development agencies were trained in using AgriTechnics, Inc., to link local manufacturers with the global economy, but organizations already stretched thin found themselves unable to devote the time to membership building that AgriTechnics needed and could support. In late 1991, AgriTechnics added a full time trade development specialist to develop profiles of new participants and track the needs of existing members.

A more formal arrangement. Initially, the services and conditions were loosely defined around broad goals. Members later suggested that their membership in AgriTechnics be put into terms they could count on. A contract was developed defining the benefits and conditions of the initiative.

Flexibility and responsiveness critical. In the months since its formation, AgriTechnics has expanded its region, engaged more technically specialized assistance programs in its work, and honed its objectives. Palouse EDC Director, Mary McBride, credits two characteristics with helping the initiative maintain its vision, even as it came upon new opportunities and constraints. First, continued involvement by the firms themselves and responsiveness to their demands has been a top priority of AgriTechnics from the start. Says McBride, "If the program is to be used, it must be crafted in partnership with its users at every step of the way." Second, flexibility in creating an organization and developing a program of support has helped AgriTechnics to define a workable approach initially and to adapt to meet new opportunities.

such an application is the alliance of Ohio-based Edison Technology Center with the Heat Treating Network (see case on page 201), its result being a dramatic increase in the number and quality of contacts with metal heat treating firms that have a thirst for useful technical assistance.²⁴

In Washington, AgriTechnics, Inc., has connected agricultural equipment manufacturers to international trade databases. This cooperative venture was initiated by the Palouse Economic Development Corporation, a regional economic development entity (Figure 5.10). The Montana Science and Technology Alliance has conducted industry-focused discussions to better target its efforts. The Idaho Economic Development Center at Boise State University has examined the feasibility of increasing the amount of specialized food processing in that state.²⁵ Also in Idaho, development of a blooming aquaculture industry has been fostered by courses and extension efforts of the South Idaho Community College.

Conclusion

"Demand driven strategies" enable more people to use more specialized services to local benefit. This chapter has argued that the strategy is uniquely significant to rural areas seeking to vitalize local value added industries. In the process, it has reached several conclusions about the nature of the rural, value added problem.

1. *Key tools are lacking.* Many firms lack the technical tools they need to crack new, high value markets. These tools include the availability of financing, access to best available technology, an ability to flexibly retool and retrain workers, and product and market development expertise.
2. *The absence of these tools dampens competitiveness.* If existing rural enterprises had access to and used specialized services, they would better be able to compete in higher value markets.
3. *Delivery of business services to rural areas is difficult and spotty.* Many specialized services are already offered by federal, state, university, and private sector providers, but weak and disorganized demand makes intensive and specialized programs less viable than the same activities in more populous areas. Specialized services often fail to reach rural manufacturing firms because the firms are so far flung.
4. *Service providers will respond to demand.* Where coherent delivery channels exist in rural places, providers of business technical assistance (in the public and private sectors alike) will adapt both the substance and the delivery of their programming.
5. *All firms want to prosper.* All firms, rural and urban alike, want to become more profitable. Those most intent on fast growth tend to be drawn to cities, where workers, capital, purchasers, and information services are more accessible. Rural value added economic development efforts should concentrate on increasing businesses' net income and wages.
6. *Communities have unique and diverse goals.* Where their business development efforts involve communities as sponsors, priority must also be placed on the objectives of the community itself. Benefits of value added development may accrue to them in the form of higher wages and incomes, a more skilled workforce, enhanced economic stability, reduced environmental impacts, expanded opportunities for related enterprises, as well as increased employment.

7. *Some communities have been successful.* Several rural businesses and development groups have organized their activities around shared problems and opportunities of firms in targeted, locally significant sectors, and achieved positive benefits for businesses, communities, and service providers.
8. *Others can duplicate these successes.* The activities of these groups are similar and their efforts, taken together, present a replicable strategy for enhancing rural business vitality.

While all these points are debatable, they are based upon several community-based success stories. The chapter has attempted to account for these successes and describe them in broad enough strokes that they might be duplicated by small communities in a wide range of situations. There are several steps common to these demand driven strategies.

1. *Clusters of firms are identified.* Groups of businesses having similar competitive challenges are identified.
2. *Willing business leaders are engaged.* Business leaders that would use new, more specialized services together with other enterprises are identified. A team is formed involving private, public, and non-profit players.
3. *Shared objectives are developed.* A process is undertaken to develop jointly attractive objectives for increasing business income and local economic vitality.
4. *Particular strategies are identified.* Building on their shared objectives, opportunities are identified that are viable for the businesses involved, but for the absence of specific services, knowledge, or facilities.
5. *Cooperation of outside service specialists is secured.* Specialty service providers are engaged in delivering needed services, and sometimes in their development.
6. *Local development groups play an enabling role.* Leaders in the nonprofit sector play a variety of roles as needed to build an effective bridge between service providers and users, including as a financing, facilitating, or administrative agent.
7. *The "demand channel" is expanded.* As an effective client base is formed and services delivered, the channel is expanded in two directions: additional firms are included, increasing the base of participants; and other, often related business services are identified and delivered.

The next chapter reviews manufacturing networks, which put business development strategies even more squarely in the hands of companies being served.

States have encouraged the formation of these consortia of companies to help each become more competitive in the marketplace. Such networks help individual companies gain greater scale when that is an advantage, and affords them the flexibility to "go it alone" when that is more appropriate. Since networked companies often seek business assistance sources as a group, network formation makes it easier for help to reach more companies.

Networks make it possible for participating companies to collectively seek contracts that none would be large enough to fulfill. Companies in networks may share a marketing manager, the use of capital equipment, or join together for training courses. Use of networks is proving to be a powerful tool for helping small Northwest companies to compete.

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6

Cooperating to Compete: Manufacturing Networks

Many rural business owners balance business with personal priorities and are ambivalent about fast business growth. They prefer to remain "in control" of their operations, to stay in a nearby location, and to concentrate on doing what they do well. How to engage such firms in an economic development agenda focused mainly on job creation has been an enigma to leaders of publicly-supported business development programs. These businesses don't want, can't use, or don't need the help government leaders are offering. The last chapter developed the notion that firms can organize themselves — with support from local development groups — to generate demand for the types of assistance that they need. "Demand-driven strategies," in general, offer a solution keyed to fundamental values of loyalty, stability, and prosperity that are very much in evidence among many small, rural businesses.

But, no matter how much help is offered, and no matter how well or poorly it is delivered, small firms are in a tenuous position against larger companies. Small businesses that participate in world markets are small fish in a large and very competitive pond.

The choice for economic development leaders is straightforward, says Richard Hatch, a leading researcher and analyst on the topic. We can either devote our energy to building big firms, and quickly, or we must help existing small firms perform like the best of the big ones. In this context, manufacturing networks have captured the attention of people concerned with competitiveness among small manufacturing firms.

"Networks," says Hatch, "are, quite simply, collaborative efforts by small firms to escape from the limitations of size." A manufacturing network is a group of small firms that cooperates in order to compete — that collaborates to achieve together what each firm cannot accomplish alone.¹

While networks are a type of demand-driven strategy, they are fundamentally different from government-provided assistance. This is not a type of assistance, but a new way businesses can do business, coupled with a reason for them to do so. Networks concentrate not on identifying services that are needed, but on seeking opportunities that are too large, too technically demanding, or too distant for their participants to undertake alone. They then pursue these opportunities together. For example, in Denmark, several clothing firms have formed a network to develop and market a line of menswear to demanding German markets; landscape contractors have developed a joint venture to design and develop golf courses in eastern Europe; a group of food processors have developed and marketed a brand of gourmet foods.²

In the United States, interest in networks has focused primarily on the role of public sector leaders in encouraging collaborative business practices, and most of this attention has been directed to the role of state policies and programs. Stuart Rosenfeld, President of the North Carolina firm, Regional Technology Strategies, has been among the few analysts to look at questions of technology and modernization policy with special

attention to rural enterprise development. One recent work by Rosenfeld and others, *Smart Firms in Small Towns*, identifies three strategies states have attempted to encourage network formation: challenge grants and other incentives have been offered for group activities among businesses; existing state programs have been restructured so they become catalysts for network activities; and individuals and organizations have been supported to broker collaborative efforts among companies.³

Obviously, steps that require large scale investment, or substantial revision in the way agencies and universities do public service, can not be taken by local development groups alone. At their root, however, manufacturing networks are a local and private-sector phenomenon, not a national, governmental activity. Most network success stories are also regional success stories, and it's no wonder the regions are often rural. Cooperation of a type envisioned by network analysts is an organic feature in the landscape of rural life. Rural people know that they must work together to make it through harsh conditions. The rich history of cooperatives in farming is only one example. There are countless instances of spontaneous cooperation among rural businesses in the face of competition. This is fertile ground for local leadership.

This chapter takes some first steps to help leaders of local and regional development groups build networks into their small business development efforts.

The Development of Manufacturing Networks

Origins and Functions

Manufacturing networks were first identified as a private industrial strategy in the Emilia-Romagna region of Italy. There, networks have traditionally involved groups of small artisan firms which have entered into a unique type of partial, temporary merger. These groups are credited with aiding the transformation of the economy in this north-central region of Italy into one of the most prosperous in Europe.

In other places, governments have attempted to replicate through public incentive what has happened naturally in Italy. Interest in the Italian brand of cooperation in the later part of the last decade led to a number of public-sector activities to encourage firms in other places to try a similar approach. The largest, and most consistently recognized of these is in Denmark. Its program began in 1988 with a substantial public information campaign designed to get firms talking. Architects of the program reasoned that only the businesses themselves could identify their best opportunities in export markets. Groups of businesses in any manufacturing sector that expressed an interest in trying a network project could get three rounds of grants to pursue opportunities that they identified, and wanted to pursue together. First, small grants (up to about \$10,000) are offered to groups of three or more firms to enable them to examine opportunities for value added business development. Larger grants (about \$50,000) are made available in a second round of funding to groups desiring to develop a formal network business plan. Groups of firms that decide to implement their plans are then eligible for a third-round grant which would subsidize the network effort in its first year. Private investment in the network is required to match public funds at this stage. At all grant stages, the purpose of funding has been to "prime the pump," not to establish a permanent subsidy.

Networks help participating firms to transform business practices in three ways:⁴

1. *Joint solutions to common problems.* Firms may pool resources to perform functions that they could not undertake acting separately. Examples include purchasing, research and development, and market intelligence gathering.
2. *Complementarity.* Firms with different strengths may work together to exploit markets that they cannot serve individually. For example, they may market their products together as a product line or as components of a system; they may serve markets of larger volume; or they may develop customers in distant markets more easily than they can do individually.
3. *Value added chains.* Firms may specialize in different stages of production and marketing for goods. In this way, complex products are produced through arrangements between firms that specialize in different technologies, or produce component parts that go into a more valuable end product.

The Role of The Network Broker

Danish network programs have provided incentives that encourage firms to work together to solve their shared competitive challenges (Figure 6.1). According to the Danish model, well-established industrial institutes provide highly specialized technical assistance to groups of firms. But the linchpin of the network-system has been the network "broker." Brokers are professionals who work with groups of firms to organize their efforts, build trust between them, find and promote value added opportunities. Among the many roles brokers play are:⁵

- Managing and developing network formation by locating business partners who might participate; acting as catalysts and sparring partners in generating common objectives; acting as secretaries; providing strategic advice and working out arrangements between the firms.
- Mapping business prospects of the network by carrying out relevant surveys and working out activity and action plans.
- Establishing contact with external partners and advisers, and identifying possible client or supplier groups for the network.
- Assisting the group in realizing combined ventures once the network is established.

Once organized, networks act as natural incubators, enhancing the competitiveness of participating firms by enabling them to pursue opportunities that are otherwise beyond their reach. The creator of the Danish network program, Niels Christian Nielsen, stresses the promise networks offer to small firms beset with international competition:

Networks allow individual small companies to compete successfully with the best of large firms. The key factor motivating Danish network participants was not the wish to grow—most prefer to remain small—it was the wish to survive. Very similar problems exist in the U.S.—the crisis of competition that is upon small businesses is international in scope. Through manufacturing networks, we see a rekindling of the dream that drives many small businesses. The strategy allows business owners to stop thinking only in terms of limitations. They say, "Who will I have to work with in order to pursue this opportunity?"⁶

Figure 6.1 **The Danish Network Strategy**

A few simple rules guide Danish programs that are designed to encourage firms to engage in cooperative value added initiatives through networking:

- *First, incentives should be given with an absolute minimum of written administration and time wasting formalities.*
- *Second, technical support should be offered at the location of the firm by persons well acquainted with local production conditions and in the concrete needs of the firm.*
- *Third, cooperation among enterprises should be encouraged, but never enforced by external parties.*

Endogenous Growth Centers: Small Firms and Flexible Production Systems in Rural Denmark
by Niles Hansen, 1991.

Figure 6.2
Lessons Italy and Denmark Hold
for Rural Areas

1. *Working relationships among firms represent a distinct advantage of small cities over their urban counterparts in Italy and Denmark. Tight personal relationships between owners of firms help them to compete in many ways. Information diffuses more rapidly; relationships with customers, market channels, and services are often shared.*
2. *Access to information is provided through institutional and technological channels that are accessible and useful to businesses.*
3. *Services and consultancies make technical advice available to small and medium sized firms. Subsidies are provided to encourage innovation and research, but these are expected to be repaid if the venture proves commercially successful.*
4. *Marketing, design, and technology deployment are often combined in a single agency or center. These services are considered key to small business development, and they are inseparable.*
5. *Public policies actively support competitiveness of industries.*
6. *Education and skills of the workforce are an important competitive advantage. Firms rarely compete on the cost of labor. Rather, they highlight workers' capacity to produce.*

Technology, Innovation & Rural Development; Lessons from Italy and Denmark by Stuart A. Rosenfeld, 1990.

The Network Model: A Fit for Local Conditions?

Networks are, in essence, a private sector strategy. They were developed by small businesses in Italy as a way to enable artisans to compete for high-value markets in a difficult business environment. In Denmark, where the public sector became involved, the challenge was to encourage and support the application of the network strategy by small businesses locally.

Manufacturing-network strategies provide a demand-driven model that regional business and community leaders can use to enhance value added development in rural areas (Figure 6.2). Rural leaders and business assistance providers can help organize existing firms into groups (logical to the participants themselves), which may then proceed to identify and pursue opportunities neither the individual firms nor the communities could undertake working alone.

In the United States, interest in networking strategies results, in large part, from the success demonstrated by flexible manufacturing networks located in relatively rural regions of Europe. In these places, the way business services are structured has merged well with private-sector networks initiatives. Technology, market, and product design experts, employed by "technological institutes" (in Denmark) or service centers (in some Italian networks), offer valuable intelligence about opportunities for member firms. For instance, a group of small Italian machine shops has worked together to manufacture complex robots, made possible by combining their complementary technical, manufacturing, and design specialties.⁷

Can such strategies work here? Network strategies successful in Europe seem to be a product of conditions very unlike those found in the United States. Analysts have noted several conditions associated with network successes that are absent here. European communities have much stronger traditions, skills in making and marketing high-value artisan specialties often being passed on from generation to generation. Further, European business practice demonstrates a greater tolerance for government intervention in the marketplace, and higher levels of taxation that help support such interventions. Yet, for all the differences, there are also similarities that make some lessons from Europe well worth learning.

Making the Network Model Work in Local Communities

Obviously, the network strategies that have helped small European firms to flourish cannot be lifted intact from Italy and set down in Idaho. Yet enough similarities exist that business and development leaders in the Northwest have already begun applying the lessons of European networks with promising results. Regional rural communities should note that their industrial history is not entirely unlike that in areas of Denmark where network strategies have proven themselves, and in fact, some of their needs may be quite familiar (Figure 6.3). Niles Hansen, who has published widely on the economic development of small cities and rural areas, points out several conditions common to regions of Denmark where networks have flourished, and the rural United States.⁸

An agrarian, largely non-industrialized economy. Much of Denmark resembles the farm regions of the Northwest, in that the nation has never really made a full transition from an agrarian to an industrialized economy. There, as here, a society dependent largely on agriculture has

nurtured among its people an export orientation; encouraged formation of small, independent enterprises that would support the production and sale of local goods in distant markets; and established a history of working through cooperatives. The result is a rural industry characterized by the coupling of cooperation and independence. Farmers, as well as the companies that make equipment and supply services to them, provide important cultural and economic roots for the success of networking. The association between rural roots and entrepreneurship has been established by several researchers and is frequently recognized by observers of small communities.⁹

Local sectoral clusters. Very often, industrial specialties take root in subregions, both inside and outside major population concentrations. There are many reasons groups of similar firms establish themselves in a given area, including proximity to key markets, to educational institutions, to common input products, to core technologies, and to each other. Just as Seattle is known for its aerospace industry, Detroit for production of automobiles, and Hollywood for its motion picture industry, rural areas also house distinct industrial niches.¹⁰ Log homes, agricultural equipment, farmed and wild fish, and products from such rare crops as huckleberries and cranberries are among the specialties that are at home in different areas of the Northwest. These industrial clusters represent concentrations that can serve as significant sources of local competitive advantage.

Small business dominance. The dominance of small businesses is a recognized economic condition in both the United States and Europe. In the U.S. as a whole, 90 percent of all companies employ fewer than 20 workers. The Northwest states—Alaska, Idaho, Montana, Oregon, and Washington—rely even more heavily on small businesses, and that reliance has increased to a greater extent in the Northwest region than throughout the rest of the country. Even where most small businesses do not grow quickly, analysts William Nothdurft and Mark Popovich conclude, “the formation and survival rates of new rural businesses are good signs — if only of rural residents’ determination to find ways to stay in their communities.”¹¹

Ambivalence among businesses toward quick growth. Family, history, and quality of life influence the behavior of firms. Many present-day business owners have roots that reach back to homestead days. Whether they come from Denmark or Oregon, Italy or Idaho, individuals often emphasize love of place and family trade as defining factors in their business decisions.

A study of firms in the wood products sector of Northwest Montana illustrates the importance of lifestyle to entrepreneurs in resource-based firms.¹² Asked to identify advantages of their business location, nearly 70 percent cited personal reasons. No other response category generated half this number of responses, and most produced much fewer than half; an indicator of the powerful influence of tradition, family values, and quality of life on a personal decision-making. As economist Thomas Power notes, these lifestyle issues constitute a factor that “pulls people to our mountain valleys and holds them there through bad times as well as good.”¹³

Comparable utilization of technology among clusters of firms. Few manufacturing firms utilize the best available technology, or are even in a position to do so. But sectoral clusters do tend to have comparable machinery and equipment. An analysis of Washington’s food processing, wood products, and metal manufacturing sectors found that, in all three

Figure 6.3 **Prospecting for Network Participants**

Network strategies may be most attractive to manufacturing firms interested in:

- *Developing new products, penetrating new markets, adopting new technology, or upgrading workforce skills*
- *Creating joint solutions to overcome competitive threats they cannot surmount alone, or pursuing opportunities that they cannot exploit unaided*
- *Growing slowly or remaining small yet active, successful participants in a dynamic marketplace*

industries, the extent of modernization and utilization of technology may differ between subsectors but is comparable within subsectors.¹⁴ For instance, makers of simple wood-craft items tend to use comparably unsophisticated equipment; plywood plants are uniformly more advanced.

Business assistance models have largely ignored these commonalities and the promise they hold for addressing similar areas of need. Rather, assistance models tend to deal with businesses one-at-a-time, usually equating "best" technology with high technology. A case in point is the current enthusiasm for "flexible manufacturing systems," a class of computer-controlled equipment that enables production of many different products with minimal set up and retooling time. The equipment allows companies to manufacture greater numbers of specialized products and sell them to more highly segmented (high value added) markets. One might assume that resource-dependent businesses seeking greater competitiveness would be natural targets for this type of technological upgrading. Some analysts have pointed out, however, that firms do not always need the highest technology, only the most appropriate technology for their circumstances and markets.¹⁵ Hammer, plane, and screwdriver can be very flexible tools when they are placed in skilled hands.

Networks, and other demand-driven models, offer a way to match process assistance to the needs of subgroups firms. The demand-driven nature of the strategy results in greater variations between network efforts, with artisan and more production-oriented networks being shaped according to their own particular needs.

Elements of Success: Building Local and Regional Networks

In states throughout the nation, public leaders are actively developing networking strategies.¹⁶ Oregon's is among the most comprehensive of these efforts. The state has passed a set of laws designed to foster inter-firm cooperation and a sectoral focus on business assistance. Its 1991 Key Industries Act gives priority attention to traded sector industries in which the state has a competitive advantage. Administered by the Economic Development Department, the act takes steps to encourage formation of manufacturing networks, create training programs for network leaders (or brokers), and prompt firms to adopt high performance manufacturing practices.¹⁷

Another piece of Oregon's strategic program is embodied in a state-supported Wood Products Competitiveness Corporation.¹⁸ The corporation is designed as an industry-based program to promote intra-industry cooperation as a way to advance competitiveness in a time of restricted timber supply. It is authorized to pursue a number of strategies that include:

- Conducting focus groups to identify key industry members and assessing key concerns within an industry.
- Supporting formation of industry associations.
- Supporting joint training and education programs for subsectors.
- Providing and promoting cooperative market development services.
- Examining market certification and testing facilities in key industries.
- Expediting methods of electronic communication between firms.

- Training “brokers” to organize and develop manufacturing networks.
- Creating award programs for firms that develop and employ best manufacturing practices.

Can communities below the state level successfully form and direct their own networks? The question has been taken up by several analysts who have noted that the most successful manufacturing networks have developed because of the initiative and support that arises at the substate regional level.¹⁹ Critical players (Figure 6.4) and characteristic activities common to many successful network formation efforts have been identified:²⁰

1. *Targeting key groups of firms.* Clusters of firms that have key competitive interests are identified.
2. *Identifying brokers.* Progressive leaders and innovators come forward who are knowledgeable on problems of both basic and strategic significance in the industries and who can build trust between the participants.
3. *Establishing a range of common problems and interests.* Groups of firms emerge which identify common opportunities; these groups seek and undertake joint commercial activities.
4. *Linking groups of firms to service hubs.* Practical relationships are established between firms and service providers that provide or help deliver specialized expertise.

Targeting key groups of firms. In targeting clusters of firms, local leaders may look for manufacturing sectors that are significant to the economy: sectors in which many identifiable small firms are already in existence, and sectors in which an improved competitive position is possible but difficult for firms to achieve alone. The identification of sectors and groups of firms for which manufacturing networks have compelling promise has been a first step for many network efforts in the United States.

What is not immediately apparent is that firms similar in one respect may not complement each other in other ways. Very often, we think about grouping firms by industrial sectors. Where natural resource industries are concerned, for instance, material inputs are a common denominator. Yet, this classification glosses over variations in the type of products produced and capacity of network participants. Common ground may be more easily seen between dissimilar firms than among erstwhile competitors. At least three dimensions of commonality exist between firms:

- *Material inputs and machinery.* Firms may be of the same industrial sector: e.g., wood products manufacturers or livestock producers.
- *Products and markets.* Firms may separately prepare distinct goods that can be brought together as a useful product; for instance, in fabricated housing, the opportunities for collaborative competition may involve creating a wooden and steel framework, adding recycled and energy efficient components, or adding high-value cabinets, masonry, and other finish work.
- *Size and capacity.* Often, firm size reflects similar administrative and technical capacities and suggests common challenges that can be overcome: firms of similar size may find that they have comparable gaps in their administrative, technical and engineering staff, or similar constraints on volume capabilities.

Figure 6.4 Critical Players in Establishing Manufacturing Networks

Network formation often entails three critical players, any of which can assume a leading role in creating and sustaining successful networks:

Networks involve a circle of firms engaged in a kind of temporary, partial merger to pursue specific business opportunities of interest to involved participants. In most cases, the networks undertake ventures within a market or product area that is new for each participant. The efforts often surpass more common joint ventures both in the emergence of additional projects and in the intensity of the activities that emerge. Shared quality control management and other performance assurances are very common features of many European networks, and serve to accentuate the priority placed on high quality production by participating firms.

Brokers are individual leaders who help link the firms powerfully in pursuit of new opportunities. Whether representing a business, an association, or an agency, the broker plays a critical role as catalyst for network formation. Primary functions include assessing opportunities and generating intelligence on markets, products, and technologies. The broker has been called the “expert, process consultant, and sparring partner” for the firms he or she serves.

Service centers, including such entities as industry associations, technical institutes, incubators, and cooperatives, serve as organizational and service hubs for similar firms. Service centers can play an instrumental role in supporting network formation, especially when networks involve new and very small firms. They are often less important to larger and more established firms, which can provide more services internally. Some service centers provide specialized assistance for use by individual members and networks—such as legal counsel, specialized process or testing technology, worker training, quality control, and financial or tax consulting—on a fee-for-service basis.

Danish Technological Institute, Danish Network Program Midterm Report, 1991.

As with other demand-driven strategies, it is critical to involve potential "member" firms from the earliest stages. Businesses finding themselves the surprise target of new governmental initiatives to establish alliance are likely to dismiss the effort. In the case of Washington's AgriTechnics, Inc., a long series of discussions, involving manufacturers who would ultimately participate, were instrumental in identifying the need among agricultural equipment manufacturers for market development services.

The task of network organizers is to identify and draw together groups of enterprises capable of pursuing value added prospects that are mutually attractive to all prospective participants.

Identifying brokers. At the center of the network is the broker, who acts as catalyst, analyst, and champion for groups of firms that are seeking new opportunities. The broker serves as a progressive, opportunity-seeking influence; often contributing knowledge of international markets, awareness of innovative technology, and an ability to foster good working relationships among the firms in the network.

Leaders of successful networks consistently stress the need to develop trust, both among participating companies, and with the broker; to seek early opportunities to show tangible results; and, where joint production or marketing of goods are concerned, to implement a system that assures reliable quality of work.²¹ Identifying a broker who can build the mutual confidence necessary to move from talk to action is an early priority of many network formation efforts.

Where are brokers found? The network broker is often an innovator identified from among the businesses themselves, whose capabilities become apparent during discussions concerning objectives and common interests. In some cases, network brokers discovered themselves in the course of early discussions among participating firms.

Sometimes production sub-contractors play a role much like that of brokers for manufacturing networks.²² Contractors may maintain a collaborative footing in regard to the firms with which they work, even as they pursue their own profit objectives. Many contractors, however, hold a dominant position, providing new opportunities to firms, but controlling those opportunities closely. In contrast, the hallmark of network brokers is that, while they generate and pursue opportunities that firms cannot undertake individually, they do not seek a position of dominance. They may even step aside once the joint activity is launched. In this respect, the network broker may be seen as an employee of the network.

The broker may also be found outside the circle of participating firms. In some cases, lawyers and accountants who are skilled in the industrial sector, in export trading, or in managing joint ventures play this role. In others, generalists with a first-hand knowledge of practices and opportunities in major urban and international markets have proved to be successful brokers.

Network broker training has been offered by a few institutions around the United States, including courses offered by specialists at the North Carolina-based Southern Technology Council, the University of Washington's Northwest Policy Center, and the New Jersey Institute of Technology. These programs provide an overview to strategies and practices that have been employed successfully in manufacturing networks. At this point, however, it is not clear that brokers can be created entirely through training; only that training can help increase the skills of individuals who already have the skills and interest in network building.

Ohio's heat treating businesses represent the greatest share of the national heat treating industry. Over several years, stiff competition from foreign firms has cut into home markets. As the region's metal manufacturers began sending their goods to distant overseas competitors, it became clear that, in this interdependent sector, heat treating firms had become a weak link in the competitiveness of other metal manufacturers from other subsectors. In response, the Heat Treating Network was created: a consortium of businesses, suppliers, and technical specialists that are helping member enterprises to address their competitive challenges. As a membership organization, the network includes heat treating firms and equipment suppliers; universities and colleges, which have valuable technical expertise, are also network participants.

Created in 1986, as an association of heat treating firms, in 1989 the Heat Treating Network established a collaborative relationship with Ohio's Edison Materials Technology Center (EMTEC). The state-supported center keeps its technology transfer mission attuned to practical competitive challenges of smaller firms. An alliance with HTN fit perfectly with EMTEC's mission to encourage broader commercial utilization of available technology. Working with member firms, HTN has developed ground rules for interacting, and identified four key technology gaps which hamper competitiveness.

The network structures its services to firms on two tiers. First, a "hotline" assistance service is designed to respond to technical problems within 72 hours. To answer hotline questions, network staff draw upon the experience of other network members (concerning problems of non-proprietary nature) and those of academics with relevant expertise. Special projects provide individual firms with more intensive assistance regarding problems where proprietary information or processes are involved. In addition, the network represents its members to contractors, giving member firms greater clout in contacts with firms outside the network.

Since its start, the network has successfully competed for grants from the state government for a portion of its support. (e.g., the Ohio Steel Futures Fund). Other revenues result from dues and fees paid by the member firms for services.

Dennis Giancola, president of Heat Treating Network offers the following keys to the effort's longevity:¹

- Impartial and creative leadership
- Consistent financial and managerial support
- A core group of business leaders dedicated to improvement
- An alliance with a reputable center, EMTEC.
- Financial assistance from the state
- Technical support from state universities

Mark Brandt, a leader in the network effort offers these comments concerning what to do and to avoid in creating similar networks:

- Stay in touch with member firms; remain aware of their real needs
- Build trust between the network and the firms, and among the members themselves
- Work to change the business priorities of members, helping them move from short-term problems of day-to-day significance to longer-term problems of strategic significance
- Avoid the overly researched, academic approach to helping firms; most companies don't use the technology that is already available

¹ Dennis J. Giancola, "Heat in Ohio: the Difficult Birth of an American Network," *The Entrepreneurial Economy Review*, 9(3), Spring 1991, pp. 19-23.

Figure 6.5 **Ohio's Heat Treating Network and** **the Edison Materials Technology** **Center**

Contact: Mark Brandt, Technology Transfer
Manager, Heat Treating Network, 3171
Research Boulevard, Kettering, OH 45420,
513-259-1366

Establishing common objectives. Moving potential network participants from interest to action is difficult. Enterprises are inclined to remain independent for many reasons. Firms may believe they have considered most of the good opportunities for interaction. Often, potential participants have spent years competing head-to-head for similar products and markets; they have developed production and management processes that they want to keep secret. Or, fears about antitrust liability may discourage them from fully discussing their common interests.

Public leaders who entertain visions of forging brave new alliances among kindred manufacturers, quickly and on the sheer power of ideas, are liable to be disappointed. Most successful network formation efforts begin with a series of discussions involving leaders from peer enterprises. These build a common understanding of shared competitive challenges and identify specific approaches enterprises might take together to turn common challenges into competitive advantages. Often, discussions begin with an overview of conditions in the industry at hand and move to a more detailed consideration of specific competitiveness questions:

- Are participating firms reaching the markets they need to succeed?
- Are they satisfied with their capacity to track changes in distant markets?
- Can participants develop new products?
- Are they satisfied with their production technology, compared to their national and global competitors?
- Is the workforce skilled enough to compete on a higher level, to produce different products, or to use new machinery?
- Are manufacturers satisfied with their capacity to understand and comply with environmental requirements?
- Are they satisfied with their relationships with sources of input materials and production contractors?
- Could participants better compete if they worked together on the problems they identify?
- Would cooperation be profitable, desirable, and feasible?

Several network analysts and managers have recommended that a program of small grants be established, often on a matching funds basis, to encourage groups of firms to look into common opportunities. Such grants can help firms that want to identify, assess, and develop common value added opportunities. Two main benefits of a small grant program are apparent: (1) such a funding source engages small firms in identifying opportunities for themselves, and in finding brokers in whom they are confident; and (2) public challenge grants reduce the risk inherent in any innovative practice. Such challenge grants can be seen as a "pump priming" mechanism, rather than a permanent incentive, for firms to identify and pursue shared objectives.

Linking groups of firms to service hubs. Once firms have established a clear idea of their own objectives, encouraging service providers to work more closely with the emerging network is an important next step. Still other steps must follow. Highly specialized technical assistance providers (such as those existing at some universities) must be persuaded to increase their level and quality of assistance. Local networks can further the objectives of the technical assistance provider to reach underserved regions, extending outreach and enhancing the usefulness of their programs.

Problems and Obstacles—Some Nagging Questions

Will networks drive agglomeration? One reservation small business owners often express about networks and other collaborative activities is the fear that eventually, cooperation will result in a take-over. The record is mixed. Danish networks seem not to have resulted in mergers or takeovers among their participants.²³ Some Italian networks have reported the opposite experience. Whether agglomeration is a factor to fear depends, in part, upon characteristics of the industry itself, and on how the relationship among firms is structured.

Industries with many small purchasers—where contracts are small and the nature of the orders varies substantially—may find networks allow them to operate as independent firms collaborating selectively to achieve needed scale or technical capacity. For instance, small custom shops specializing in furniture or cabinet making—where design varies dramatically, based on customer taste or the need to fit a particular space—often find themselves unable to take on large or especially complex jobs. Such firms could easily benefit from a network in which they come together selectively (e.g., to seek out and bid on large, complex custom jobs). Firms that operate at different optimal scales of production generally fill their own slack time by pursuing jobs independently and often in competition with one another. These businesses, too, may benefit from a network association. Here, an example is found in the work of small house builders: their overall work progresses much more slowly than that of the mason, whose services may be required to put a fireplace in the house under construction. While a mason is not likely to be an ongoing part of a small contracting firm, small builders, masons, and other related enterprises might benefit from inclusion in a network that would allow them to pool their resources to compete selectively with larger firms.

In situations such as these, cooperation is not likely to result in economic pressure to merge. Where orders are consistent and large, however, where production problems lend themselves to unified management, and where slack production capacity can be taken up internally or through readily available jobs, the competitive edge may go to larger firms. In such cases, potential network participants may have valid concerns about being taken over by their erstwhile collaborators.²⁴

What about antitrust fears? Effective networks require communication between firms on strategic matters. Such communication may raise fears of violating anti-trust laws, and it is no wonder. The antitrust prohibition against collusion involves stiff penalties. As one writer put it, "The prospect of treble damages does seem to focus the mind... The legal fees necessary just to secure an opinion, let alone defense expenses, are well beyond the financial capacity of small firms."²⁵ On the whole, however, such fears seem to reflect perceived, more than actual, exposure to the law.

Those who have examined questions of legality where small firms engage in network activities, seem to agree that the fear of anti-trust violations greatly exceeds the risk.²⁶ Most networks involve firms of small, even micro, size. The percentage of the applicable market they are likely to constitute is small, and thus collusion to set prices and control markets is impossible. (Compare this to the common practice among major corporations of forming "strategic alliances" on joint development and marketing of products.) Especially given interest on the part of federal

agencies and many states in small business competitiveness, network activities and other forms of cooperation among small firms are likely to be seen as reasonable, even necessary, for them to compete.

How can fiercely independent U.S. firms be encouraged to work together? Entrepreneurs the world over are resistant to the notion of cooperation with their competitors. Yet, language of "fierce" independence obscures the many types of cooperation that exist between firms already. Contracting and subcontracting relationships, cooperatives and associations all reflect close and friendly relations between firms on selected activities. According to Niels Christian Nielsen, a leading force behind the success of the Danish network experiment, most small firms will cooperate when and if it is in their own best interests to do so. Efforts to develop networks may be seen, in this context, as expanding the type and frequency of collaborative ventures—and the number of firms involved in them—to make networking a key competitive practice.

What if similar firms don't exist? Would-be network organizers who can't find a sufficient number of similar firms may be looking at the wrong sector. Mill towns, for instance, may be home to concentrations of artisans and wood products hobbyists who don't consider themselves businesses at all. The activities of these individuals constitute community of enterprises that won't be seen until it is searched for. Sometimes sectoral concentrations exist vertically rather than horizontally: log home producers may be able to engage cabinet makers and wood stove manufacturers to package their goods and other items together to mutual advantage.

Further, the potential network organizer may be considering too small a region. Especially in rural areas, manufacturers tend to be widely dispersed, and the answer to the numbers problem lies in beginning with an area that is big enough to encompass sufficient potential participants.

When is networking not the answer? Some rural places simply lack production firms in any volume or diversity. Some are truly one-firm towns. These communities may seek to add value incrementally, considering gradual improvements in product cost, performance, or quality. Mills in British Columbia have applied this approach in exports of milled wood to Japanese markets. The mills progressed from exporting raw logs, to shipping squared logs. Over time, value was added through segmenting the Japanese market into groups with unique size, grade, and planing needs. The application of market intelligence over several years has helped mills capture more value for local economies.²⁷

Other communities rely entirely on non-manufacturing sectors such as government and military, or travel and retirement. For these locales, networks and other value added approaches are not the answer. Value added economic development strategies constitute only one option for increasing local economic vitality. (Chapters 1 and 4 note some of the other options for developing strategy alternatives and review the tools that can help choose between them.)

Conclusion

For any community, large or small, value added production strategies are only one part of the community economic development picture. Encouraging growth of service jobs, decreasing dependence on products imported from elsewhere, and supporting larger employers are all reasonable intervention tactics on which to focus local efforts. Additionally, leaders can revitalize the community in other ways. Efforts may concentrate on addressing educational, housing, and health care needs. Or they may stress building community leadership and enhancing local capacity to foresee and respond to change. Given a choice among the three options of boosting people, places, or enterprises, communities must ultimately elect to tackle all three in some fashion. Just as revitalization problems are complex and interrelated, their solutions must be multi-dimensional and they must be sustained over time.

The Northwest Policy Center's nearly two-year-long review of local practices for small rural communities, and in-depth examination of promising revitalization strategies, leaves two overriding impressions. First, local action matters. Bootstrap solutions may not, by themselves, be sufficient to overcome many of the challenges small communities face, but they are unquestionably essential. Most communities that elected years ago to wait idly for new opportunity to find them are still waiting, and opportunity will surely pass them by. Others seize the day, and their citizens benefit from the energy they devote to tackling the future. Rather than wholly incorporating the ideas of other communities, these communities find "best practice" and fashion it into their own customized program. The quest for economic vitality becomes a magnificent obsession for the community and its leaders.

Finally, communities must erect not barriers but bridges between their world and those surrounding them. The temptation is to shield oneself from the overwhelming forces of the changing economy and culture, but these forces must be met head on, even by the smallest of communities. Such strength in facing the future is critical if communities are to shape their own destinies and lead in the quest for their own futures.

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Northwest Policy Center
327 Parrington DC-14
University of Washington
Seattle, WA 98195