

Rural Renaissance and Regional Strategies

White Paper Submitted by NREDA Member, David Kolzow, President of Team Kolzow, Inc.

"I love living in the country, but it sure is hard to make a living here."

Introduction

In *A New Map for Rural America's New Economic Frontier*, Mark Drabenstott wrote, "Probably no single strategy has become more important to rural regions than thinking and acting regionally. Economic strategies are becoming more regional in scope as the realization deepens that regions are where the impacts of globalization are felt. Economists refer to this as the new economic geography, but the evidence is widely seen in budding efforts to think regionally." To again quote Drabenstott, "globalization has made regions the new 'athletes' in the global economic race."

Local economies continue to struggle across America, but many rural communities struggle even more so. The central challenge facing rural regions is the same for all regions in America, indeed in the entire world: *the vigorous pursuit of a competitive edge in rapidly changing global markets*. However, the rural economic impediments of remoteness, lack of modern infrastructure, sparse population and labor market densities, scarceness of technology talent, a past reliance on natural resource-based industries, etc. place an additional burden on sustainable economic growth for rural communities in this new globalized environment.

While some rural areas have prospered, such as those with natural amenity advantages or those close to major metropolitan areas, most have not. Small rural communities lose their population and amenities to those larger rural towns that offer some locational advantages. As a result, school districts shrink and consolidate, hospitals find it difficult to stay open, local infrastructure isn't maintained or upgraded, and retail trade migrates to larger communities. Another frequent reality is the rapid out-migration of educated youth, often known as "brain drain," who finish college looking for "cool" places to live and work.

It would seem to be a logical conclusion that rural communities must join forces if they want to close the gap with the rest of the nation. Independent efforts are not going to make the needed difference. The good news is that communities are increasingly discovering their need to pool their development efforts, recognizing that development successes will benefit the local area even if not every town shares fully in that success. Recent trends suggest that only through such cooperation can many of the smallest communities hope to avoid continual decline and possible eventual extinction.

Planning for a Economically Sustainable Rural Region

In effect, rural areas must acquire some of the competitive advantages of more urbanized areas through a transformative process of collaboration and cooperation. In our complex and ever-changing environment, every community must consider new and innovative regional approaches that foster collaboration if they are to achieve sustainability.

Achieving collaboration on a regional scale, unfortunately, is easier said than done. It begins with the difficulty of defining the region. A plethora of regional distinctions are probably already in place, with overlaps and voids. From a rural economic development perspective, the region ideally should be defined on a functional basis rather than on political boundaries.

Economic regions are different than political jurisdictions. Labor market areas are defined by commuting distance to a center of employment. Retail trade areas are determined by the level of draw of a retail center at varying distances from that center. Resource-based regions develop in response to the availability and use of a particular resource, such as pine forests providing similar wood products or a cooperative of farmers growing durum wheat for a pasta plant. A watershed defines the access to an important water resource.

Plan regionally. Act locally.

However unique each rural region is, a recent report from the Southern Growth Policies Board suggests that a positive future for rural America can be built around six pillars:

- Regional strategies
- Innovation-based strategies
- Entrepreneurial focus
- Maximizing the impact of industry clusters
- The infrastructure of technology
- Inclusive, grass roots involvement

Every rural region needs to implement a planning **process** that provides a means for developing around these six “pillars.” Building and maintaining a competitive edge for rural communities should involve three basic steps:

1. begin by understanding the region’s distinct economic assets,
2. identify the best market opportunities for the region, and
3. craft a strategy that exploits the region’s assets and mitigates its locational liabilities so that it can aggressively pursue those opportunities.

This basic planning approach will yield a unique development strategy for each region.

Competitive Assessment

The regional planning process should begin with an assessment of opportunities in light of economic change and based on leadership priorities and decisions. Today, rural leaders need to understand their competitive position, what their key economic assets and liabilities are, and where markets critical to their region are headed. The inventory and assessment of regional assets and liabilities should be focused on the regional issue being considered, rather than being a comprehensive attempt to catalogue every aspect of the region. Ultimately, these resources need to be defined in terms of what the regional leadership hopes to achieve, instead of an inventory conducted for its own sake.

Most rural regions have not instituted an effective regional strategic planning process that would begin with this assessment as a foundation for moving forward. A thorough assessment is a means for a better understanding of what the region has to offer and what problems it is facing in its attempts to improve its economic situation.

The Vision

Once an understanding is in place that a regional effort bears some merit, a key group of leaders need to meet and decide what this effort should achieve. In other words, what is the *vision* for the regional undertaking? One crucial early task for a regional plan, then, would be to bring all of the players together for the purpose of convening and facilitating a dialogue on the future of the region. This dialogue should be inclusive, informed, and wide-ranging. It should draw on outside expertise but should be driven by the aspirations of the citizens and communities within the region. The dialogue should be facilitated towards consensus and the creation of a vision of regional success. It should be ongoing and continually refreshed.

The vision is especially critical to driving new "regional" behavior and it provides a blueprint when a region faces new challenges. This vision is also the driver for regional strategies and new investments, as well as alignment of current investments.

A "reality check" for the vision can be derived from the evaluation of the assets and liabilities that the region as a whole possesses. What can the region offer that the individual communities cannot (i.e., what is the region's competitive advantage?), and what impediments are there to the progress of a successful regional effort? Although the vision should set an ideal to be worked toward, it should also be realistic and achievable.

A regional vision that is shared by key leaders across the region is not easily accomplished. It takes an organized and well crafted process that enables a wide range of local and regional leaders to share their thoughts on the future of the region and then to set some priorities on which vision components they can agree on to work toward. Because a regional vision is not likely to be part of the previous thinking of the various leaders and population within a given region, it cannot be assumed that everyone is on board with particular concepts of the future unless these have been widely discussed and “voted on.”

Setting Priorities

After the regional leadership has determined its relevant assets and liabilities and crafted a vision, it can move forward to establish its priorities. A common mistake made by regional efforts is to attempt to address all of its problems and pursue all of its opportunities simultaneously. An effective regional effort needs focus if it is to accomplish those actions and programs most significant for future progress. The determining of the priorities should involve considerable participation by the stakeholders and citizens of the region. People will only sustain their support for those activities in which they have been involved and for which they feel a part of the decision-making process.

Building Leadership Capacity and Collaboration

Leadership capacity is perhaps *the* essential ingredient as rural regions forge new competitiveness strategies. Regions are more likely to be sustainable if the leadership of various communities realize the need to work together collaboratively to achieve a goal or set of goals. Educational institutions – K-12, community colleges, vocational-technical schools, and universities – are vitally important partners in terms of both the building of a qualified workforce and a base of regional knowledge. Typically, regional-based business leaders are key partners that will drive successful regional initiatives, rather than local elected officials who have jurisdictional constituencies. Rather than looking solely to large firms for leadership, regions are asking how to recruit young entrepreneurs and professionals from the New Economy into positions of regional leadership. However, it is often difficult to develop leaders at a regional level given the problems of distance and communication.

Because regional leaders come from many sources today and focus on different issues, we have seen that many regions suffer from an anonymity of leadership. Regional “champions” are a

subset of regional leaders who not only see the “bigger picture” and the need to create more connected leadership but are willing to recruit other regional leaders to the cause. These regional “champions” tend to have certain common characteristics:

- They see the need for more *integrated regional approaches* that connect with the New Economy, that provide for more livable communities, and that work toward social equity.
- They aren’t hung up by jurisdictional boundaries and see the need to *build alliances* across development organizations and local governments to address regional problems.
- They are *risk-takers* who apply an innovative spirit to solving regional challenges.
- They have a *strong sense of place* and commitment to making the region a better place to live and work.
- They have a *long-term perspective* and understand the need to make things better for the next generation.

This leader-based collaboration can be facilitated by outside agencies, but it cannot be imposed. The need for such collaboration has to be clear to these leaders, and this need should transcend some temporary crisis. A frequent impediment to this collaboration is local pride and competition among local governments for resources and projects, however. Smaller communities often fear that their identity will be lost if they collaborate with larger communities. Community leaders have to recognize that more can be gained by each community if they work together than if they try to go it alone. Economically marginal communities may find it to their advantage to cooperate with more dynamic communities, and vice versa.

Crafting Competitive Strategies

Once a vision and set of priorities are in place, the first accomplishment for every rural region will be to craft an effective set of competitiveness strategies. These strategies should reflect the region’s own best assessment of the economic niches where it stands the best chance of ongoing success. Public officials and private leaders alike should play an important role in developing these strategies.

Most rural regions lack effective and implementable regional strategic plans that would provide this assessment of opportunities and a blueprint for moving forward. The plan should identify approaches to the development and exploitation of niche markets, the pursuit of innovative

enterprises and activities, and the positioning of the region to be competitive in a global marketplace. It is also important that some level of creativity be used, since such trends as globalization, the New Economy, and the shift to a service-driven economy are imposing new concerns and new ways of looking at regional resources. The focus should be on creating an opportunity for a more diverse and sustainable economy.

Coming up with new and innovative strategies to match the assets and liabilities of the region with the regional vision and plan of action is a difficult challenge for regions. For one thing, the private sector is likely to view the action agenda differently than public sector officials, and private sector leaders are usually more long-term in their thinking. Also, local residents are likely to think in more limited terms than leaders who have a regional perspective. Determining what can be done to better respond to changing socioeconomic conditions generally involves a collaborative effort among all these players, as well as considerable research, outside input, and out-of-the-box thinking. The tendency for most planning at this stage is to “tweak” what has been done in the past (and probably wasn’t effective) rather than coming up with something dramatically different. As Einstein said, *We can't solve problems by using the same kind of thinking we used when we created them.*

Implementing the Plan

Having a plan is important, but implementing it successfully is more important. This requires good *governance*. Governance is not government. Government is about public services, while governance describes the process of key economic and policy actors coming together to craft and launch a development strategy.¹ In a regional framework, governance implies cooperation and collaboration. Public and private sector entities must partner with each other; *vertically* across levels of government and *horizontally* across public, private, nonprofit, and educational sectors.²

Federal, state, and local government agencies clearly play an important role in economic and community development. Public investments in infrastructure and government services provide the foundation for local and regional growth. In the new climate of regionalism, most experts now conclude that local officials must take much more leadership in regional development rather than depending on the federal or state government for such an initiative. Frequently, however, the various policies and practices of the different government bodies work at cross-purposes to one

¹ Jason Henderson, “New Governance for New Competitive Advantage,” 2004 Annual Report of the Center for the Study of Rural America, Federal Reserve Bank of Kansas City, December 2004.

² Ibid.

another, impeding regional development. Mayors and local elected officials do not have the authority to make regional decisions, and the failure to coordinate key functions results in inadequate regional outcomes in key areas such as transportation and housing. Many regions are experimenting with new forms of distributed and networked governance, but the success stories seem to be few.

The reality of diminishing fiscal resources available for local and regional development often leads to competition for these resources among the various players in the region. The business community may push for more investment in physical infrastructure, such as improved highway access, expanded sewage treatment capacity, or enhanced telecommunications. The education community will lobby for increased funding in the schools. The nonprofit community will look for increased funding as well, and also will try to recruit new volunteers for its programs. Each unit of government will try to balance its budget as the rate of revenue growth declines. Residents will ask for more parks and recreational facilities, along with a long litany of other quality of life needs. One of the worst outcomes in this competition is spending limited resources on duplicate programs by competing organizations.

A key challenge in the regional process is to build a sense of region while at the same time preserving the unique identity of each community. The power of a regional organization in no way needs to compromise either community or state roles in economic development. It simply means that communities are better served by combining certain resources at the regional level, and states are better served by encouraging the delivery of services at the regional level. For example, it is usually possible to provide more cost-effective services at a regional level in areas such as transportation, water resources, recreational amenities, etc.

Regional cooperative efforts can also result in the employment of experienced full-time development professionals that can provide needed development assistance to rural communities and rural industries. Rural development professionals generally recognize the value of a regional effort. More can be gained by leveraging a variety of local marketing and economic development resources on a regional basis than each community acting alone. Furthermore, from a promotional standpoint, it is much more effective to market a region that has a clear and memorable identity than a group of independent communities. Furthermore, a regional effort can more readily take advantage of clusters of linked industries, which tend to occur in a region, not one community (e.g., plastics in NE Ohio, electronics in Silicon Valley). A more professional regional organization can also lead to more effective handling of business and industry prospects.

However, the trick is to identify the appropriate region for an economic development organization. In most cases, if the boundaries of a region are imposed by some government entity, people will only work together regionally if they are able to access funds and assistance not available to them as an individual community. Once the funds or assistance dries up, the region usually ceases to be a going concern.

Generally, for a regional effort to take off, a “champion” or group of champions needs to emerge that has the respect of people in the region and that can bring about a win-win situation for all the players. A successful regional approach is less likely without such champions who are willing to make the sacrifice of time and talent to initiate and sustain such an effort.

However, the self-interest of each community should not be ignored in the effort to create a spirit of cooperation. Local government officials are not likely to be re-elected if they are seen as focusing more on the interests of the region than on the community/county that elected them.

Innovation and the Region

The global economy rewards innovation.

For any rural area to compete in the global economy, it must be innovative. Innovation is the new fuel in creating regional competitiveness. In a global market, where the cost of producing basic products is often several times lower in other corners of the world, the key is to find the next *new* product, not trying to compete based on traditional products. Innovation is the fuel to creating the new products. It is generally acknowledged that creative enterprises tend to grow faster than the economy as a whole, and are key sources of economic development in many communities.

New mechanisms are needed to link emerging research knowledge with the economic strategies of individual rural regions. This link is crucial if innovation is now the hallmark of competitive regions, since research is a powerful driver of innovation. Those regions that innovate and have entrepreneurs that move those new ideas to market will have a competitive advantage in new business development. The dilemma for many rural regions is that they appear to be lagging well behind in this process. In many smaller and poorer communities, these innovative firms are less likely to be high technology growth industries; nevertheless, they represent important sources of wealth.

Increasingly, the key asset is a region's *human capital*—the knowledge, skills, and education of its residents. In conjunction with human capital, entrepreneurship is a further critical asset in the New Economy, particularly in providing the basis for a continuously innovative regional economy. Entrepreneurs probe new ways to combine and leverage regional assets, paving the way for further innovative activity. In order to provide the crucial knowledge and ideas to this entrepreneurial base, as well as the broader workforce, human capital becomes even more critical as a core regional economic asset. Interestingly, rural areas tend to already be naturally entrepreneurial, given their history of farming (which has tended to be very entrepreneurial) alongside the fact that rural enterprises, shops, and services by their nature are almost universally small-scale.

A number of studies have shown that knowledge-intensive companies and talented people tend to be found where creative enterprises and cultural venues flourish. The research of Richard Florida and his “creative class” concept certainly accentuates that point. A rural example might be Northwest Arkansas. New artistic venues in that region not only added to the quality of life of the region's citizens but also attracted new companies, new investment, and needed talented workers. This local creativity became a way that a rural region of Arkansas distinguished itself in the highly competitive 21st century economy.

The types of people who typically work in today's high growth sectors are mobile and highly selective, and they look for places to live and work with amenities that satisfy their creative and recreational interests and urges. Many people, in fact, consider the lack of congestion, low crime, good schools, neighborliness, green space, and other features of rural areas as attractive “social” amenities. Rural areas can supplement these traditional social amenities with arts, culture, and/or history unique to their locality. Communities that spruce up their downtowns, celebrate their heritage, provide sufficient venues for culture and entertainment, demonstrate a high level of tolerance for different life styles, and support diversity are also more likely to attract and keep talent. In addition, retirees with independent income sources are moving in considerable numbers to rural places, seeking precisely such amenities.

Rural economies continue to gain a competitive edge by the rapid advancement of technology, particularly telecommunications. Many urban Americans, often called Lone Eagles, are moving to rural settings and making their livings via broadband access to the Internet. Main Street businesses tap national markets by using advanced telecommunications. These advancements make it easier for rural entrepreneurs to reach regional, national and even international markets, reducing their dependence on dwindling local markets.

Many examples can be found of successful regional efforts. In Morgan County, Colorado, business and community leaders recognized that infrastructure was holding back economic progress in their communities. They had access to Interstate Highways and the new Denver International Airport, but not to the high-speed Internet highway. Four key partners – the community college, their economic development corporation, local chambers of commerce, and county officials – all worked with schools, towns, health care providers, and the private sector to gain support for the broadband Internet service among businesses and residents.³

Building a Successful Regional Effort

Successful rural regional efforts are found to have the following characteristics:

- Leaders that recognize the new realities of how economic development works in a global and knowledge-based world
- Regional networks that help to create a larger number of opportunities
- An understanding of local and regional assets and liabilities, and a determination to attack their problems and pursue their opportunities
- Creating organizational structures that facilitate communication and strategic action

In summary, the new paradigm for economic development is critical for sustainability, but it also challenges rural regions. The shift to an innovative, entrepreneurial economy will not be easy in rural America. Most rural areas have tended to put their development eggs in the traditional basket of business recruiting, putting little if any focus on growing entrepreneurs in their own backyard or exploring opportunities in a knowledge-based economy.

For a real transformation to occur in rural regional economies, rural communities will have to partner across jurisdictional lines. Yet rural communities are not accustomed to reaching across those lines—Friday night football dies hard in rural America. This cooperation on a regional level won't mean much, however, unless it leads to crafting a competitiveness strategy—a region's road map to its economic future. Strategic thinking and planning on a regional basis generally requires expanded leadership capacity. Unfortunately, such capacity is not spread evenly across the countryside, posing yet another challenge to rural areas.

³ Sarah Low, "An Economy of Regions," 2004 Annual Report of the Center for the Study of Rural America, Federal Reserve Bank of Kansas City, December 2004.

Given these challenges, rural America will have to change its approach to economic development if it hopes to build a brighter tomorrow. Communication, cooperation, coordination, collaboration, and competitive thinking will all have to be dramatically improved, requiring a new type of leadership that takes a regional and even global view of the future.

White Paper Prepared for NREDA, *The Rural Developer* by:

David R. Kolzow, *NREDA Member and President of Team Kolzow, Inc.*

505 Leicester Court, Franklin, TN 37067

W: (615) 972-4801 • **H:** (615) 599-7305

drkolzow@bellsouth.net