
5 strategies for active economic development

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An active economic development organization typically bases actions on strategies that have been used successfully to help diversify the local economy. Community leaders can work on the following strategies to build programs and develop projects that specifically target spreading out the risk of job loss over many small businesses.

About the Five Strategies

Small towns and rural communities today are not isolated from the rapid changes taking place in the world. These rapid changes are creating challenges and opportunities for economic success in rural America. A shoe store in a small town today no longer competes just with a store in a neighboring town, but also with a large discount store in a regional shopping center and with national mail order and e-commerce businesses.

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The realities of a global economy can open up opportunities for rural communities. For example, a company in a small Midwest town has marketing rights for a special hog feeder. Using telecommunications technology, this product is sold in Japan and Australia as well as around the U.S. The local manufacturer has the capability of custom-designing equipment for local

farmers along with the capacity to produce for an international market.

In this context of response to global change, there is evidence that smaller, independent businesses and industries are more likely to survive in rural areas than larger, corporate-affiliated facilities.

Towns dependent on one major employer are risking negative impacts from decisions made at the distant corporate headquarters. However, a local economy comprised of 10

diverse businesses each employing 10 workers has a better chance of spreading the risk of job loss. A local economy of this type is a sign of community strength.

Rural communities can survive in a global economy with strategies built on community strengths.

Rural communities can survive in a global economy with strategies built on community strengths. The Heartland Center publication, "Clues to Rural Community Survival," resulted from a research project focused on exploring the characteristics of thriving communities. One of the characteristics held in common by these successful small towns is the presence of an active economic development organization. Such an organization may be a development corporation created in the 1950s or it may be a new committee of the local Chamber of Commerce or Downtown Association. In some towns, historical societies and service clubs are leading action strategies that influence the local economy.

Stopping Economic Leakage

STRATEGY 1

The first of these strategies is stopping economic leakage. The idea here is to keep local dollars from flowing (leaking) out of the local economy. Part of the strategy is to emphasize local consumer loyalty, but this also means helping local businesses learn how to compete successfully, finding local niches through price, quality or service.

There are many creative approaches to keeping local dollars in the community. Larimore, North Dakota, (pop. 1,400) struggles like many other ag-dependent towns in the Midwest to maintain some economic stability. A banker in Larimore started a Christmas shopping program called “Larimore Dollars,” offering an interest-free loan of up to \$1,000 available to families who will spend that money in Larimore. In Lyons, Nebraska, (pop. 960) a “mini-mall” that houses 16 small businesses was developed in a renovated Main Street building. The businesses include everything from baked goods and crafts to accounting services. In both Larimore and Lyons, more local dollars are being spent in the local community.

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STRATEGY **Retaining and Expanding Local Businesses**

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Another common economic development strategy is retaining and expanding local businesses. Too often, local leaders think all their attention must go to attracting new industries. They forget that existing employers form the solid foundation on which new economic development is built.

One community that now takes seriously the importance of keeping in touch with its business community is Jackson, Minnesota, (pop. 3,500). Stunned by the departure of a major employer that meant the loss of 300 jobs, the Industrial Development

Corporation realized too late that better communications with this employer might have softened the impact of the “sudden” decision.

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Jackson now has a very active visitation program that puts the economic development organization into regular contact with plant managers and business owners. Development board members now visit local businesses often, asking about future plans and what the town can do if changes are on the drawing board. Each year, the development board sponsors Jackson Industry Day, when doughnuts and coffee are served in factories and businesses to show appreciation.

Supporting Local Entrepreneurs

STRATEGY 3

Many small towns are home to entrepreneurs who go virtually unnoticed when it comes to economic development strategies. Yet the cottage industry of today may be the growth industry of tomorrow. Sometimes it takes access to small amounts of venture capital, so micro-loan programs are becoming more common. But it also takes other resources.

In St. Paris, Ohio, (pop. 2,000) small businesses are springing up everywhere. The people of this community learned how to make St. Paris a hot spot of entrepreneurial success. A veterinarian began with a small computer project and developed it into Infotel, an electronic equipment distribution warehouse that sold 10,000 peripherals and computers per month. At one time, the business was growing at a rate of 250% per year. Infotel eventually became part of Global Direct Mail Corp., an electronics conglomerate. St. Paris also has a T-shirt printing company, a custom wood-milling shop and a farmer who sells alfalfa to the fancy equestrian set all across the country. His neighbors call his product “gourmet hay,” but he admits that there’s nothing special about the product, except the way it’s sold.

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Product and market specialization, with an emphasis on sales via mail order to similar markets nationwide, is a recurring theme among St. Paris area entrepreneurs. These people have a very effective yet informal way of testing new ideas and sharing information and resources. When someone in St. Paris

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says to a group at the cafe, “You know, I bet there’s a market for...” the remark isn’t met with a blank stare, disinterest or a history lesson about why an idea won’t work. In St. Paris, ideas are accepted and nurtured with enthusiasm.

Capturing Outside Dollars STRATEGY

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Another important economic development strategy relates to capturing outside dollars. Traditionally, this strategy has meant persuading outsiders to come to your town and spend their money. But it's important to realize that money also comes into the local economy through people who live in the community already—senior citizens and retired persons. These folks are very important sources of revenue through “transfer payments” such as Social Security and pensions.

One Nebraska town used an important resource—the hospital—to capture some of those transfer payments by converting the hospital housekeeping staff into a house cleaning service. This cleaning service used the hospital's vans for transportation and served senior citizens throughout the entire county. Not only did this help keep people employed at the hospital, it made retiring in Geneva, Nebraska, (pop. 2,200) a bit easier and more attractive.

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Tourism is probably the very best example of capturing outside dollars. Natural resources, of course, can give one town an edge over another. Annual celebrations draw crowds, too. Communities create special events, from raising chickens or harvesting lentils to hunting pheasants or sawing wood! The main focus is each town's “specialty,”

which means that the character of the community is celebrated.

Another way that communities can bring outside dollars into the local economy is through the use of grants. The community that learns how to use the system of grant writing and fund-

raising is definitely ahead in the effort to expand the local economy.

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The town of Wray, Colorado, population 2,200, built a multi-million dollar rehabilitation facility that

also serves as a community recreation center. By combining grants and donations from all types of sources, this town raised \$500,000 in six months. In total, more than \$2 million was donated to build the center and fund an operating endowment.

A final common strategy is that of developing new business ventures as a way to work on economic development. Community leaders often hear that they should try hard to “diversify the local economy.” This is especially true for communities that are dependent on one industry, such as agriculture. The hard part is figuring out exactly what diversification means to a small town. Supporting new business ventures is one answer, and growing new businesses in a town may be a better solution than trying to recruit that mythical “clean, light” industry that will bring in jobs.

In any attempt to diversify the local economy, it's most important to use whatever resources are readily available.

Sometimes local investors can buy out a business. In Rosholt, South Dakota, (pop. 420) for example, area farmers banded together with townsfolk to form a cooperative and now run an implement dealership. It took a lot of courage and persistence to struggle through the many legal and financial obstacles, but the group saved a local business.

In another research project, the Heartland Center looked at how public schools have become involved in economic development, creating jobs for students and community members, as well. These examples ranged from

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a greenhouse in New York state to a hardware store in Minnesota to a manufacturing plant in South Dakota. The schools used students and teachers to research

the market and develop business plans. They often received initial investment support from local banks or donations.

A Final Point about Attitude

In any attempt to diversify the local economy, it's most important to use whatever resources are readily available. That means people, ideas, buildings, history and tradition, crisis and change as well as money.

The list of community resources underscores a final point—the importance of attitude. Heartland Center research has shown again and again how important the attitude of the community is in determining survival. Leadership is key to maintaining the community's attitude. Communities that resist change, ignore new opportunities, focus only on threats and refuse to take any risks are in serious trouble.

The most important aspect of local development activities is really how leadership behaves. If the leadership in a community shows—by both speaking and acting—that new leaders are welcome and that decision making is shared, then local development activities are probably working well.

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Many small towns are not just surviving but thriving. Their success comes from good thinking, energetic, involved residents who believe that they can make a difference and leaders who hold up a vision of the future that combines the best of old and new ideas.

About the Heartland Center for Leadership Development

The Heartland Center for Leadership Development is an independent, nonprofit organization developing local leadership that responds to the challenges of the future. Heartland Center activities focus on training, facilitation and evaluation for community capacity building programs nationwide. Programs and publications stress the critical role played by local leadership as communities and organizations work towards sustainable development. Each year the Center serves approximately 2,500 leaders from 300 communities in North America.

The Heartland Center was founded by a group of Great Plains leaders during the agricultural crisis in the mid-1980s. Early on, the Center's co-directors, Dr. Vicki Luther and Milan Wall, earned national recognition for their landmark research, publication and curriculum, *Clues to Rural Community Survival*, examining the characteristics communities need to compete in a changing world.

Although the Heartland Center is a small organization based in Lincoln, Nebraska, it enjoys a national reputation for putting people first—whether it is collaborating with multiple partners on national initiatives, or working one on one with rural leaders in tiny isolated towns. This emphasis on developing personal capacity and commitment is at the core of all Heartland Center programs.

Heartland Center Programs

- Training for leaders in communities, businesses and organizations to help them deal with fundamental change by finding opportunities where others may see only threats.
- Assisting communities and organizations in developing a capacity for strategic planning and tackling problems of the future through solutions they themselves take the lead in devising.
- Helping policymakers clarify questions key to the future of communities and states and promoting broad-scale public participation in the search for workable yet innovative solutions to problems brought on by significant change.
- Conducting research on leadership and its potential impact on quality of life, public policy, and business and community prosperity.



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