

identifying economic DEVELOPMENT LEADERSHIP AND PROGRAM REQUIREMENTS

By Joe Gero, CEcD, EDFP



Results: This 250,000-square-foot Toppenish, WA, Del Monte distribution center was attracted after elected community officials and business stakeholders underwent an economic development "how-to" orientation that prepared them to effectively seek this project. That orientation was based, in part, on this model and concept.

Joe Gero, CEcD, EDFP, has over three decades of community and economic development experience. The past ten years he has been researching the economic development process to develop a strategic planning and continuous improvement model. The goal is to identify potential economic development process improvements. He is in the process of writing an economic development book focused on the perspective of the customer, the client company.

most counties, often including towns and cities, and certain cities independently, have an economic development program (EDP) to promote jobs and investment growth. Some economic development programs have a feeling of success, but others are defined by frustration and lack of satisfactory results. And there are those in between. In an area with less success, community leaders may not have developed a written statement defining expected program outcomes. Some programs may suffer a lack of understanding and definition of what the program is, how it works, who is involved, and what required capacities are. Few may recognize the components necessary to have a successful economic

development program. Lacking knowledge of the needed components, leaders may be unaware of the necessary linkages required to operate a successful EDP.

There are two options when something you have and need does not work. The first is to discard it and get another. The other option is to determine what is wrong and fix it. Sometimes we need to obtain professional assistance to have the problem evaluated and to have a good fix identified. Whether it is getting the car fixed by a qualified auto mechanic or our body healed through a physician's treatment, we often lack the expertise to solve the problem.

For communities dissatisfied with their EDP, maybe the problem is that they are only focusing on the professional staff and not looking at all of the components of an economic development program. What many communities need is a full economic development "physical exam." What will the exam identify about each component and how the components interact? If a water pump is replaced on a car, but the vehicle's fuel pump is also working poorly, the car will not operate well.

This article is about the components of the economic development process, viewing them in an illustrated schematic. This is not a "one model fits all" explanation: each entity can make minor adaptations to meet local needs or desires. Of community controlled factors, the potential for success is generally a causal relationship based on community effort and how well the community meets the key elements needed to have a successful economic development program. To have a program with positive results requires that all components be effective, efficient, and in harmony.

Periodically an inquirer may ask what the EDP entity does, and/or what has been achieved. The typical EDP entity focuses on recruitment, reten-

CONNECTING ECONOMIC EXPECTATIONS AND OUTCOMES

For some communities there is a lack of understanding and a full appreciation of the complexity of the economic development process. This article identifies in summary form 11 key elements, in addition to community leadership and involvement, necessary in most communities to have the potential for a positive economic development program. Certainly, there are a few communities with the synergy to have a successful program. For others, there are no guarantees for success, however it is likely that such a community will not succeed unless it has incorporated these 11 elements into its economic development program.

tion, and expansion efforts. Each program may have a particular focus or mission. Most will include basic industry and business components. The idea is to export products and services from the area, bringing in new dollars. This expands the local and area economy.

Often public dollars help finance one or more components of the EDP or specific projects. EDP sponsors may be private or public, or a combination thereof, and often require accountability. Because the accountability issue may include whether there is infrastructure and resources to conduct the program successfully and other factors, it is often broader than may be recognized. Program proponents desiring to gain community support and often program funding must be prepared to accurately report the EDP's story to community and funding sources. This includes defining what the EDP is, how the program works, providing EDP entity information, and being prepared for questions.

THREE LINKED RELATIONSHIPS

In this article, three linked relationships are defined: 1.) leadership, 2.) economic development program (EDP) components, and 3.) economic development expectations/ consequences and outcomes. The relationships are depicted in the Chart: **Economic Expectations and Economic Development Leadership**.

The chart is depicted as an algebraic formula. The left side out of the brackets represents people involved in the economic development process less the professionals, but particularly the leadership corps including stakeholders. Within the brackets are ten EDP components: six components above the

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bar and four below. The six above represent the key primary components of any economic development program. The four below depict components that may, and usually do, modify the six above. To the right of the equal sign are the "Outcomes/Consequences" and "Economic Expectations." If EDP adopted expectations and results are matched and evaluated, this is where that process is most apparent.

In any algebraic math formula, the process to solve an equation begins within brackets and above the divisor line. The formula symbolically depicts that the six elements must be present and joined together. To the degree that any elements or sub-elements are minimized or weakened, the potential for success will be reduced given any location factors. A less effective program at best will likely muddle, leaving a sour taste in the mouths of disappointed participants and making future economic development efforts more difficult. A downward spiral is inevitable until these elements are substantially improved.

KEY PRIMARY COMPONENTS

The three elements: *Resources*, *Products*, and *Price* are usually not controlled by the staff and often not by the organization's directors in their capacity of EDP directors. A director may work for a company, or be an independent entrepreneur, and offer product/price of certain commodities or services needed by a client company. Various stakeholders do often control part of these three elements. In this context, a stakeholder is an individual or organization with a direct or indirect interest in a particular element, sub-element or group of elements. These elements often define just how competitive a community is.

Resources are the means the EDP staff has to operate the program and from which it develops the budget, and may include products and services. If the EDP entity is under-funded, there are many potential negative consequences. An under-funded entity often lacks marketing dollars, advertising dollars, and dollars needed to invest in community infrastructure, products, or projects. Under-funding impacts staff considerations and work program requirements. Cash is the number one need of any EDP entity. Without adequate cash resources, the program will probably muddle and flounder. Whether an adequate budget is provided is one measure of the community's commitment to the EDP. An under-funded organization is a sign of a lack of commitment to program goals.

Products are all the factors a business client may need and therefore consider when determining the geographic location of a new or expansion facility. Individual items can be listed in one of the product sub-element categories. Data about products and services the community has to offer is what the

local economic development office has to offer to its business clients. How competitive a community is can be determined from an evaluation of the total cost (the cumulative *Price* element) if the business were to locate in a particular community (or stay). There are two primary questions that a business must determine in every location decision:

1. At the decision point in time, given any location parameters, which site(s) is projected to be among the most profitable?
2. Looking into the future, of the sites considered which is projected to remain among the most profitable over time (this is the profit/risk management question)?

Once the company pares the list to just a few locations, it can extensively evaluate any other factors it chooses. A community that truly wants to compete must work to have answers that are responsive, responsible, valid, and competitive. The last items for consideration are often the intangible factors and may include quality of life issues.

Process and Services is how the EDP organization goes about doing its work and the services it provides. Although these are not exclusively the staff's

To be a winner, the community must plan to be competitive. Planning, then implementation, is needed to improve local products in order to improve the area's competitive position. Planning is needed to develop and hone marketing and client interaction skills provided by each team member. A planning failure often results in program failure. If a community fails to plan to improve products and services, it will have less competitive products and services over time and will be less competitive and often left behind.

realms, the staff substantially contributes to the success of these program components. Recognize however that owners/agents of products and services may be involved in the process and in negotiating with a particular client. Directors may be involved in providing components, or directing services, or how they will be provided. The staff has no ownership of the products or services. Therefore the staff has no authority unless that power is specifically provided to obligate the organization or any stakeholder. Any delegated power should be provided by a written and signed document delegating the specific terms and conditions of such authority. The staff often plans and oversees a process that may have many involved players. The

EDP staff is often the local initial contact with the business client and providers.

The *Professional* is the EDP staff, but may also include a consultant hired for a specific purpose. It is the EDP leadership that hires the economic development professional director. Under-funded organizations may have difficulty attracting desired and experienced staff and may have difficulty in retaining staff, resulting in lack of program continuity. If the staff member is not from the area, and he or she often is not, there is a period to learn about the community and the products and services it has to offer.

The EDP leadership should determine what is needed to have adequate staffing to do the work that is required to have a successful program. There are often differences of opinion of the role of the staff, the Board, and other community leaders. In addition to any paid staff, many programs have substantial volunteer efforts. What is most likely to vary with programs is the degree of volunteer activity and how it is provided. The professional director is ostensibly reviewed to determine if Board Director expectations are being met. Were there any written criteria agreed to in advance?

BELOW THE BAR

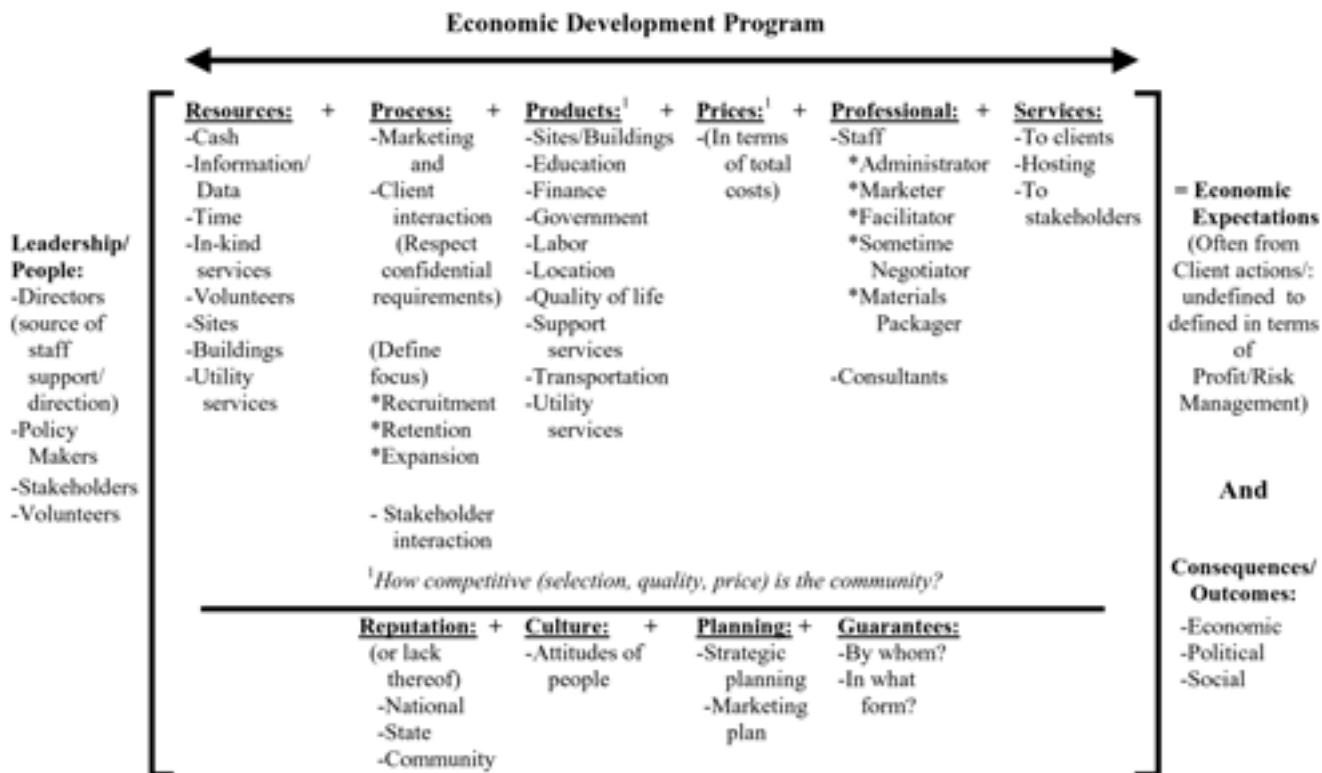
Below the bar are four elements: *Reputation*, *Culture*, *Planning* and *Guarantees*. *Reputation* may not accurately depict reality, but if perceived that view is often assumed to be accurate. A negative reputation could imply that one or more factors may result in increased costs of doing business. A negative national or state reputation may preclude a community in the nation and/or state from being considered as a possible location for a company that is unaware of the reality and positive features within that area. We are in a global economy.

Culture reflects the attitudes that are pervasive in an area or state. One area may be viewed as having a strong work ethic and another for being lazy. A community attitude may develop promoting cooperation, responsibility, teamwork, pride, fairness, and integrity etc. These are positive attitudes that reflect a positive culture supportive of business.

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Companies like predictability and may seek to have local community and state *guarantees* and/or incentives. This raises the debate of when and how

Economic Expectations and Economic Development Leadership



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much of a guarantee and/or incentive are needed to gain the deal. The purpose of this comment simply is to recognize it as part of the program element. Each community will determine for itself whether, and in what form, a guarantee and/or incentives will be offered.

LEADERSHIP/PEOPLE

To the left, and outside of the bracket, are local people and the EDP leadership often involved in the economic development process. They often have vested interests and a variety of agendas (economic, political, or social). Some of these stakeholders represent products and/or services the prospective or existing company may need and consider purchasing locally. These stakeholders, in their desire to benefit from the economic expansion, may attempt to influence a decision. This can be appropriate and encouraged when done with appropriate conflict-of-interest safeguards. The stakeholders may also impact the hiring and tenure of the professional staff.

It is the community's leadership that drives the economic development program. These leaders have community power to cause certain community actions to occur or not to occur. The combined actions ultimately are part of the definition of the local "business climate." These leaders provide cash and other resources, and make community decisions that either support or undermine local eco-

nomic development efforts. These leaders approve the program of work, specific projects, and influence in a micro- to macro-level the day-to-day work of the EDP organization. By their degree of support and the statements they make, the leaders influence the decisions of many others.

OUTCOMES/CONSEQUENCES AND EXPECTATIONS

To the right of the equal sign are two linked categories: *Outcomes/Consequences* and *Economic Expectations*. Program implementation results in outcomes. Sometimes an outcome may result when an interim step is achieved. Economic development is often a patience game. Each outcome has consequences, positive or negative; sometimes, the consequence is unintended.

The leadership and community question is whether outcomes and consequences are meeting local expectations. Further, is there a written definition of what the economic expectations are? Often economic entities lack a written and adopted expectations statement. Individuals may have in their mind what their definition is, but it may not be commonly understood by the organization or community. If not written and adopted, expectations may vary as widely as there are involved persons.

Although it is the EDP and community leadership that has ultimate responsibility for program out-

comes, the staff may lack direction. Without written expectations as part of an economic development strategic planning process (if one occurred), there are questionable expectations and potential for undesired or unacceptable consequences. Economic development is a business and it should require the application of business practices, including by those involved in understanding the overall process and to be actively involved with the planning element.

CONCLUSION

In some respects this article is basic economic development. The experienced economic development professional might say, "I know all of this." Yet it may serve to make a point with others as to the full range of elements needed to have a successful economic development program. Someone may be focused on product and price – pure marketing. But the economic development program requires more consideration than just these two elements. Perhaps this will help create a discussion among community leaders, stakeholders, and economic development professionals. Perhaps it can be used to instruct others as to the economic development process.

There is a next step. Communities that intend to compete need to understand that all ten elements are required and then develop a business driven economic development strategic plan. Each community needs to look at itself as a competitor against other communities, and needs to be aware and evaluate itself against the competition. Each needs a ten-element implementation plan based on an adopted strategic plan.

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