

Unleashing Fundamental Change

By LaDene Bowen, CEcD, FM; Ronnie Bryant, CEcD, FM, HLM; Jim Damicis; Scott Gibbs; Rick Smyre; and Mark Waterhouse, CEcD, FM, HLM

NETWORKING TRANSFORMATIONAL THINKING AND ACTION THROUGH ECONOMIC DEVELOPMENT

The global economy has changed in fundamental ways and the current practice of economic development is no longer working and needs to be changed. We live in a time of transformation when there are three different types of economies mixed together for the first time in history – the old industrial, recent knowledge and emerging creative molecular economies. As a result, practitioners of economic development will be required to expand their focus beyond creating jobs primarily through recruitment and retention. Economic developers will need to help build successful communities that can adapt to constant change using the emerging principles and skills of “comprehensive community transformation.”

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“Problems cannot be solved by the same ‘level of thinking’ that created them.”

— Albert Einstein

“When we are no longer able to change a situation, we are challenged to change ourselves.”

— Victor Frankl

OVERVIEW

We’ve been borrowing from the future, and the debt has fallen due. We have reached or passed the limits of our current economic model of consumer-driven material economic growth. We are heading for a social and economic hurricane that will cause great damage, sweep away much of our current economy and our assumptions about the future, and cause a great crisis that will impact the whole world and to which there will be a dramatic response.

— Paul Gilding
The Great Disruption

The basic premise of this article is that the global economy has changed in fundamental ways, and the current practice of economic development is no longer working and needs to be changed. If you don’t agree with that premise, there is no need to read further.

OK — so you are still here. Let’s explore that premise more.

In a time of such fundamental change, the very idea of what kind of change is occurring needs to be considered. We are in a transition from an Industrial Society to a new type of society that some have titled an Organic Society, in which funda-

mental principles of thinking and organization are transforming. Everywhere one looks, whether in education, governance, the military, leadership, or economic development, one sees the term transformation, or its derivatives...both as a noun and adjective.

We live in an age of transformation, not one that is merely in the process of reforming traditional concepts. The more articles about transformation you read, the more it becomes apparent that there is much confusion between “reforming change” and “transformational change”. This is not done to be disingenuous or with deception by intent. Rather, we are caught in a time when there is often a misconception of the fundamental ideas of what transformation is and how it can occur....and is already occurring. Reforming change modifies, improves, and makes more efficient and effective ideas and methods that have existed for many years. Transformational change redefines institutional structures and challenges undergirding principles.

It is our belief that we live in an age of such significant change that the very worldview we have used for 200 years is in the process of transforming. Additionally, we believe that this transformation is structurally changing our economy and society and

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The global economy has changed in fundamental ways and the current practice of economic development is no longer working and needs to be changed. We live in a time of transformation when there are three different types of economies mixed together for the first time in history — the old industrial, recent knowledge and emerging creative molecular economies. As a result, practitioners of economic development will be required to expand their focus beyond creating jobs primarily through recruitment and retention. Economic developers will need to help build successful communities that can adapt to constant change using the emerging principles and skills of “comprehensive community transformation.”

The recent economic recession has raised questions among economists regarding how long this downturn will continue and when will we recover. For economic developers however there is a more fundamental question: "Are we in the process of shifting from an Industrial Economy to a Creative Molecular Economy?"

has profound implications for the practice of economic development.

We are currently in a "weak signal" stage of the next iteration of an economic system. This system demands economic developers who are able to shift their thinking and action back and forth among the current and rapidly changing future needs of business attraction and expansion (declining in importance over time); the development of a workforce capable of moving beyond continuous improvement to continuous innovation; the formation of individual collaborative connections and disconnections; and many other interrelated challenges and opportunities to help new knowledge emerge. It will be the connection of new knowledge to new resources in the creation of transformational projects that will seed what we call a "Creative Molecular Economy," a term that is further explored and defined below.

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Our answer to this question is that we are in the midst of a fundamental systemic change. The idea of developing a new type of economic resiliency in our communities and society is at the core of preparing for a different kind of economy that will need to adapt to constantly changing conditions. Furthermore, this resiliency cannot be achieved through just reforming the current practice of economic development. In other words, we can't just tinker at the margins.

Adding to the complexity over the next 20 years is the fact that there are three different types of economies that are in churn and mixed together for the first time in the history of the world.

1. The first is the very last stages of the old Industrial Age Economy based on hierarchies, economies of scale, mechanization, and predictability.
2. The second is a transitional economic phase called the Knowledge Economy that was recognized a decade or so ago and is based on knowledge creation and diffusion.

3. This transition phase is reaching its maturity and will quickly shift within the next ten-to-fifteen years to an emerging Creative Molecular Economy (CME) in which biological principles will form the framework for how the CME will be organized and operate.

This newly emerging economy will flow with the speed and strength of a surging river, constantly overflowing the banks of traditional economic principles and thinking. A key principle in preparing for success in this new economy will be the need to have leaders in communities who are open to new ideas and begin to understand the challenges they face in transforming their approach to the future systemically – how they connect ideas, people, processes, and methods; how they develop a culture in support of continuous innovation; how they build new capacities for a new type of economic development involving as many citizens as possible with distributive intelligence; how they create an environment for individualized, autonomous education/learning; how they shift paradigms of governance using mobile technologies – and the list goes on and on.

This is no small task for economic developers...it WILL NOT BE EASY. There is no template, model or standard operating procedure to guide the journey. This new economy is in the process of emerging before our eyes. As a result, a unique opportunity is presented for economic developers that is counterintuitive and, at present, largely hidden in the fog of an incomplete and not fully formed future.

Since the profession first developed in the late 19th century, economic developers, for the most part, have been focused on the functions of business and industry attraction and expansion, with a more recent attention to business creation. The Industrial Society brought with it the term "jobs" and, until recently, there was an understanding that a focus of the economic developer was to attract "jobs" into his/her local community, region, state or specific geographic boundary.

The profession rocked along for years until the "weak signals" of change in jobs provided per business relocation began to occur in the 1980's. Over the last 20 years, the number of jobs created per recruited business has declined. Impacting this is the projection by forecasters such as Dr. Marvin Cetron, that by 2015, only 4-8 percent of all the jobs in the U.S. will be in manu-

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facturing. A recent 2011 Kauffman Foundation study (*Starting Smaller; Staying Smaller: America's Slow Leak in Job Creation*) of business formations over the last 20 years reported a reduction in number of start-ups established per year as well as jobs provided per start-up.

The confluence of these and other trends and weak signals reflects a continuous shift to a more digital, entrepreneurial economy driven by collaborative networks. This Creative Molecular Economy will be defined by the following:

1. New ways to access capital for start-ups;
2. A *Future Forward Workforce* able to adapt to any of the three types of economies;
3. An ability to identify weak signals about what the future holds;
4. A broad-band infrastructure capable of uploading and downloading massive amounts of data and video-streaming;
5. The formation of interlocking networks to build momentum for new ideas, whether economic, educational or governance; and
6. Crowd-sourced innovation.

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A UNIQUE APPROACH

As a result of the transformation of society and the economy, the economic development profession has an opportunity to transform itself to be aligned with the changing requirements brought about by the emergence of a Creative Molecular Economy. The last 30 years in business and industry have focused on lowering costs, increasing productivity of production and service delivery, and increasing demand for consumption. In this environment, the economic developer could focus on competing for business attraction and retention/expansion within specific geographic areas primarily through incentives to lower costs, providing necessary infrastructure, finding access to financing, and expanding worker training.

It was a natural fit for the special expertise needed in an economic system where specialization was the norm.

We are now moving at light speed into an age of dynamic connections and disconnections, where the economic vitality and sustainability of any local area, region or state will be based on how well its leadership, workforce, capital availability, educational system and methods, and governance decision-making processes are able to adapt quickly and effectively. Hierarchies, standardized processes, and predictability will give way to interlocking networks, multiple methods, and finding comfort with ambiguity, uncertainty, and even situations that are more chaotic. Of great importance will be the ability to build parallel processes where different people and organizations work in deep collaboration to help each other succeed – not just in individual communities but across the globe as well. True transformation will not occur unless many projects, programs, processes, and people are involved in a totally new system of dynamic, adaptive planning and execution.

It is this emerging context of a new society and economy that offers – perhaps requires – a unique approach for traditional economic developers who realize *that only a system and processes of community transformation will provide a healthy economy* – and that their local communities, by themselves, may not yet have the types of leaders who are able to build “capacities for transformation.”

In a commercial culture whose tradition has been centered on economic materialism, visionary individuals in the economic development profession can become transformational leaders who help communities transform themselves to foster a healthy economy. Without a systemic approach to community transformation, there can be no effective shift to a sustainable Creative Molecular Economy that is based on continuous innovation, openness, and collaborative interlocking networks.

Simply stated, the business of economic development and its practitioners will be required to expand their focus beyond creating jobs through recruitment and retention. Rather, the responsibility of the economic developer

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is to help build better places in which to live, work, play, and run a business. Of particular importance will be an understanding of ideas, methods, and processes that are aligned with an emerging society and economy that is increasingly fast-paced, interconnected, and complex – in other words, economic developers will need to learn to focus on “comprehensive community transformation.”

A SUGGESTED METHOD OF INTERLOCKING NETWORKS

We are moving from an Industrial Age based on hierarchies, standard answers and replication, and predictability to an Organic Age of interlocking networks and webs, multiple pathways leading to innovative solutions for emerging issues, and uncertainty and ambiguity. Although counterintuitive for many traditional economic developers (and many others as well), the lessons of how nature organizes its systems can be instructive as the Creative Molecular Economy emerges.

Nature’s method of developing more complex systems comes through interlocking collaboration as well as competition. Dr. Lynn Margulis at the University of Massachusetts gained fame in 1970 when she suggested that the ability of prokaryotes to connect and collaborate created the first human cell. The principles of connection and collaboration become increasingly important as complexity emerges. Increasingly, economic developers will need to connect innovators, transformational learning concepts leading to a Future Forward Workforce, new communication technologies and their application, and crowd-sourcing ideas and funding for startups as the Creative Molecular Economy gains in importance.

If that last sentence does not sound like your current job description – that is the point of this article.

In a time of stress on any system (e.g. the Industrial Age), there appear networks of factors (in the case of a society or economy....people, new ideas, and multiple processes) that begin to work in collaboration. Such is the idea of “biomimicry” – the principle of interlocking networks mimicking biology.

Using this principle of biomimicry, it is suggested that multiple networks of interested economic developers be developed to work in collaboration to seed the concept of community transformation in local areas of the country. Simultaneously, there must be a shift in the field of economic development so that economic developers are seen as the leaders of a totally new approach to the future to include new concepts, new processes, new values, and new methods. Only if that occurs will citizens be more likely to allow and adopt various capacities for transformation that will be needed to insure a healthy economy and society in an era of constant change.

Change is scary for many people, to be avoided if possible. As a result, leadership by economic developers is an absolute necessity to help communities understand the need to build “capacities for a Creative Molecular Economy” using the concepts and methods of “comprehensive community transformation.”

Growing beyond the context of our current economic development system, initially, three levels of interlocking networks will emerge:

1. Regional (both sub-state and multi-state)
2. State
3. National

To initiate and model these new concepts and methods of transformation, some places must lead by example. Some areas and their economic developers are already emerging as possible leaders of community transformation including the Charlotte Regional Partnership and the Panhandle of Florida as sub-state regional areas; Rhode Island and North Carolina as states.... the Heartland states (Iowa, Missouri, Oklahoma, Nebraska, and Kansas) and New England as multi-state regions. Within each are community-level collaboratives.

These areas can work both individually and in collaboration to bring the idea of systemic community transformation to the forefront and create interlocking networks of interested economic developers who are willing to commit the time and effort to learn how to be “Master Capacity Builders.” It is important for any economic developer who is a part of this process to realize that he/she will need to be simultaneously involved in multiple con-

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cepts of economic development (to include traditional business and industry attraction) as each learns this new approach to community transformation.

TRANSACTIONAL → TRANSITIONAL → TRANSFORMATIONAL

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In so doing, the economic development profession can be the conduit for unleashing fundamental change as we transition from one type of society and economy to another. ☺

“Digitization is creating a second economy that’s vast, automatic, and invisible – thereby bringing the biggest change since the Industrial Revolution. Business processes that once took place among human beings are now being executed electronically. They are taking place in an unseen domain that is strictly digital. On the surface, this shift doesn’t seem particularly consequential – it’s almost something we take for granted. But I believe it is causing a revolution no less important and dramatic than that of the railroads. It is quietly creating a second economy, a digital one.”

Is this the biggest change since the Industrial Revolution? Well, without sticking my neck out too much, I believe so. In fact, I think it may well be the biggest change ever in the economy. It is a deep qualitative change that is bringing intelligent, automatic response to the economy. There’s no upper limit to this, no place where it has to end. What I am saying is that it would be easy to underestimate the degree to which this is going to make a difference.”

— Brian Arthur
The Second Economy

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