

# Building High Performance Communities: Local Community Economic Development in Our Global Society

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Congress on Sustainable Agriculture, Sanitation and Rural Development  
Akropong –Akuapem  
Ghana            October 2008

## Local and Outward Development

The hope and promise of local community economic development is that people will be empowered to achieve a higher standard of living in terms of economic prosperity and quality of life.

Two schools of thought characterize current discussions about the geography of economic development. One emphasizes local assets and resources and the other focuses on outward connections.

Locality-based economic development emphasizes economic activity that depends on specific resources and assets; these assets can be hard (labor, technology) or soft (information, conventions of interaction, relation-specific skills). They may be natural (water, land), cultural (amenity-based) or constructed (roads, facilities, organizations).

Economic development approaches that focus on locality argue that its level of know-how largely determines a community's prosperity and its ability to mobilize resources, knowledge and other inputs necessary for the development process.

Outward development strategies, in comparison, focus on creating connectedness through technology and relationships between people and organizations. In this view a community's prosperity is determined by the power of its connections elsewhere.

For all intents and purposes, these two perspectives – the local and the outward – are

based on contrasting but complementary perspectives. There is reason to believe, however, that outward linkages are taking on increasing importance in the world today.

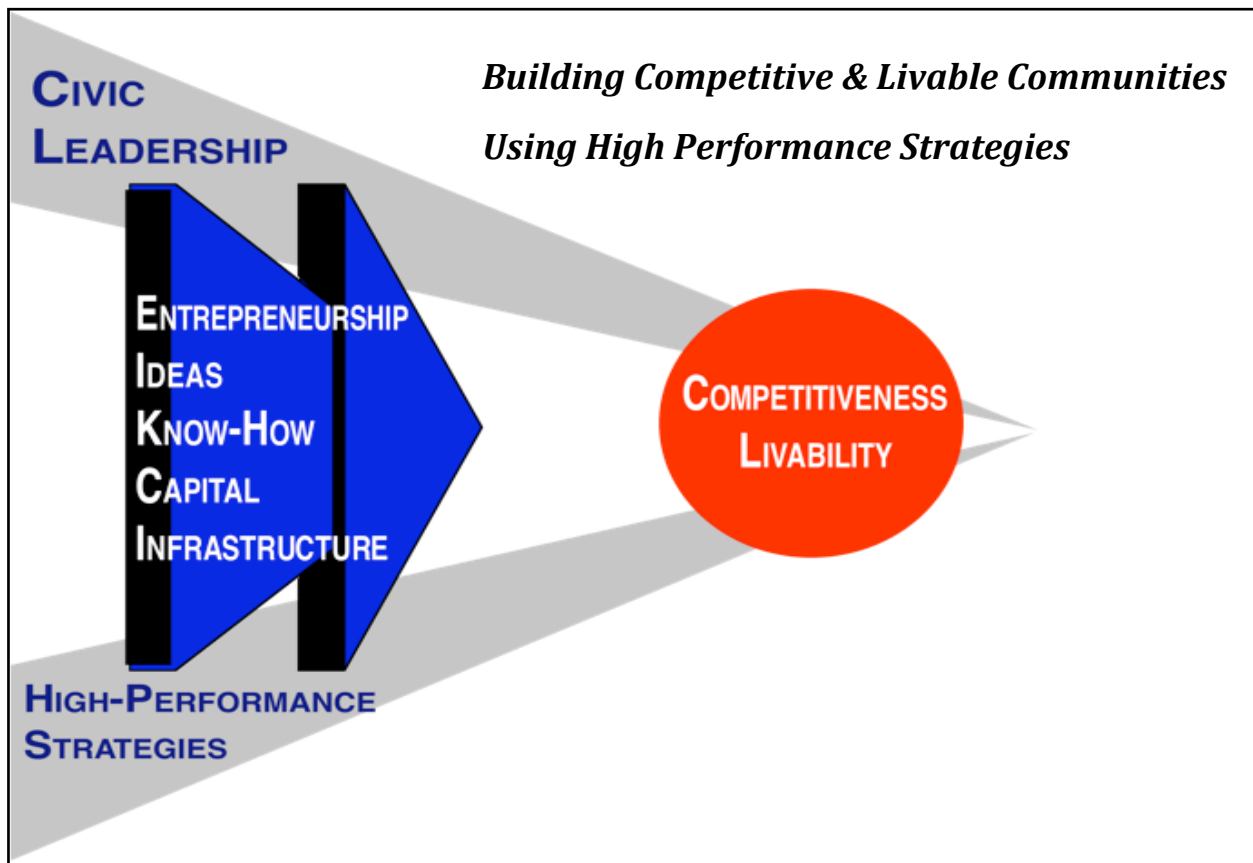
A recent edition of *The Economist* (October 13, 2007) highlights two fundamental driving forces in today's economy that have an impact on the well-being of people and communities everywhere– 1) innovation and 2) the combination of globalization and information technology.

*Innovation* – fresh thinking that creates value in the form of new products, business processes and organic changes that create wealth or social welfare – makes the world go around.

*Globalization + information technology* – enables the diffusion of competitiveness, productivity, growth and rising standards of living throughout the planet like never before.

Three important processes are shaped by innovation, globalization and information technology and have particularly significant ramifications for local and regional economies:

- Work flows to nodes of technology and talent in the globally networked economy.
- Trade flows between places that are equipped and connected via travel, transport and information and communications technology (ICT)
- Financial and human capital flows to where it's wanted and stays where it's treated well.



In this net-centric economy work, trade, people and capital flows function as possibility factories for communities and regions.

So while building local capabilities and utilizing local resources are essential today the competitiveness and prosperity of a community or region is increasingly determined more than ever by the power of it's connections elsewhere. This is particularly the case for those connections that involve the more robust, higher-value sectors of the economy, e.g. manufacturing, food processing or information technology.

### **High Performance Communities**

We live in a world where borders are becoming transparent and some would go so far as to say that distance is dead. Others argue that globalization is now the single most important driver of economic opportunity and has eclipsed the influence of the local economy. But communities and

regions remain the locus of economic activity. This means that the most important kinds of decisions and actions – even those that are outward-oriented – happen at the local and regional level.

Communities, and for that matter regions or nations, however, do not act. So it is important that development strategies are designed and implemented to empower the parts that do act including companies, organizations, individual or teams of entrepreneurs.

The high performance approach to business and economic development focuses on creating a culture of entrepreneurship and a support system for growth-oriented enterprises that build on a region's competitive advantages and economic momentum.

High performance communities are not necessarily high-tech. Instead they are communities and regions that are capable of realizing their full potential – however that

might be manifested in the economy or society. The goal is create and sustain economic opportunities that produce as much value as possible given available resources, capabilities and the reachable market – whether it is local, regional, national or global.

The high performance community development approach is a process for identifying a community's best future economic prospects and empowering local leaders with the foresight and skills to work more effectively with entrepreneurs and innovative companies. Together the private and public sectors work to assemble the local resources and build the external partnerships needed to launch and build new ventures or expand existing ones.

A high performance community initiative can be implemented by any group of motivated people with a common interest in building a competitive and livable community in the face of a rapidly changing and competitive global economy.

A high performance community or region has seven key features.

***A high performance community is -----***

- Connected to high-speed, broadband telecommunications and a robust network of travel, transport and transit systems.
- Nourishes entrepreneurs.
- Creates job growth from within, focusing on higher-wage technology and information-rich processes.
- Thinks globally.
- Focuses on industry opportunities that build on local interests, resources and capabilities
- Networks vigorously locally and with business and government from outside the region to create new connections, new partnerships and new customers.
- Cultivates robust civic institutions and collaborates regionally.

The results of becoming a high performance community include expanded choices, increasing wealth and new hope.

**High Performance Rural Community Development**

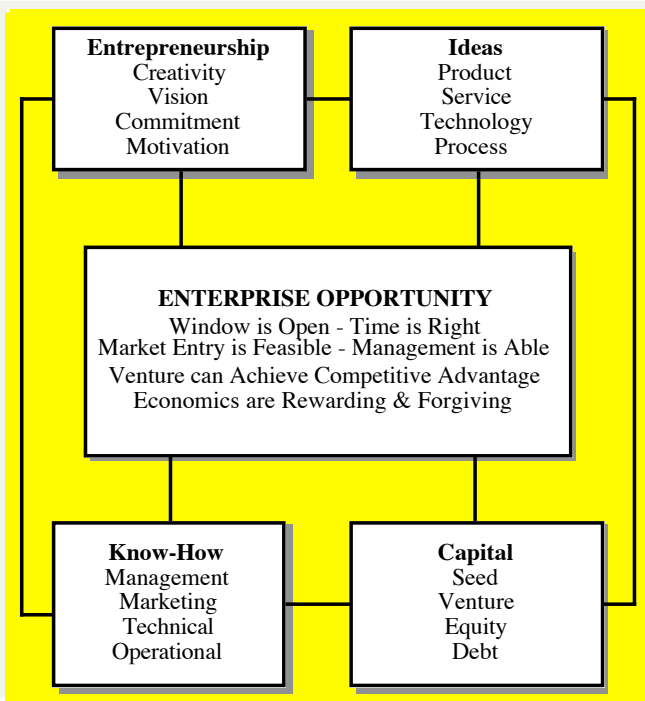
Rural communities face different challenges than their big city counterparts. Nearby markets are smaller and the resources that can be drawn on are fewer in number and oftentimes further away. Overcoming thin markets and thin networks in rural areas is key to creating more and better economic opportunities.

For smaller and rural communities there are a number of proven considerations and approaches to keep in mind when implementing high performance community initiatives.

- Support outward-oriented entrepreneurs that sell their products or services outside the community
- Build on linkages to traditional rural industries, e.g. machinery and equipment, agri-business, food processing
- Repurpose existing rural assets and resources by finding new uses for them, e.g. biofuels.
- Put local infrastructure in place that contributes to quality of life, supports local economic activity and connects entrepreneurs to outside markets.
- Create partnerships of firms, colleges, universities & government

The remainder of this discussion will focus on entrepreneurship, networks and infrastructure - critical dimensions of high performance communities in rural communities.

## The Ingredients of a Successful Business



### Entrepreneurship and the High Performance Community

One of the key characteristics of an innovation-driven economy is the growing significance of small and medium-sized enterprises (SMEs). Firms with twenty or fewer employees now create about two-thirds of net new jobs. Microenterprises – companies with less than five employees – play a significant role in this job creation. The important role of small business and microenterprise is a worldwide phenomenon.

Today, about seventy percent of all high-tech companies have fewer than 20 employees. As firms specialize they oftentimes network together with other firms, both large and small, to deliver quality products and services with speed and innovation to meet increasingly ephemeral markets.

Three basic approaches to working with small businesses are available to communities both large and small.

1. Retain and encourage expansion of existing businesses.
2. Facilitate the creation and growth of entrepreneurial small businesses
3. Attract companies from outside the community.

Existing businesses are major contributors to a community's economy. They employ the greatest numbers and, as they grow and expand, they can generate up to 80 percent of their community's new jobs. It's far easier and more cost effective to build on the momentum of an existing local industry than it is to start afresh with each new prospect.

Small and medium-size businesses create most new jobs – in fact about 70 to 80% of all new jobs. They create the most new products and export more than large companies. Today 70% of all technology companies have 20 or fewer employees – meaning they are a feasible target for cities of many sizes and many diverse locations.

Recruitment of businesses from outside the community can complement existing businesses and/or add to the variety and diversity of businesses. Companies benefit from new locations by getting closer to markets, utilizing capable workers, or creating linkages to suppliers or research and development centers.

Small and particularly new companies often lack sufficient management experience and professional expertise. They are frequently hampered by inadequate availability of technology and scarcity of capital. Equally important, these businesses seldom have the time available to pursue the important avenues of research and discovery that lead to new markets and operational improvements. Similarly, mature businesses often could become more competitive if they were able to apply new technologies and management practices in their operations.

Seldom does an entrepreneur who is starting a business or operating an existing small business combine the expertise necessary for

technological adoption or innovation with the business skills needed for successful market entry.

The government and NGO sector have a critical role in economic development because they can use public resources to reduce risks and costs that could prohibit private sector investment and job creation.

- ⇒ Providing access to market research to determine product or service potential, in cooperation with resources in higher education and private sector firms.
- ⇒ Providing access to professional assistance related to business plan preparation and management, marketing, finance, and accounting, in cooperation with the business assistance organizations, expertise in universities and colleges, and private sector consultants.
- ⇒ Facilitating partnerships with colleges and universities, financial institutions, private sector businesses, the regional development councils, and community leaders to offer workshops and seminars on specific topics of interest.
- ⇒ Working with local universities and colleges to develop and offer programs that give workers new skills.

A strong rate of business formation is essential to any healthy, growing economy, providing the primary sources of innovation and new job creation. So it is now more important than ever that communities provide the infrastructure, and resources that will help to create new businesses and sustain existing businesses.

It's worth repeating – an economic strategy that does not make small- and medium-sized businesses based on technology and information a key element will neglect the greatest source of job and wealth creation into the foreseeable future.

## **Networks & The High Performance Community**

The great promise in the digital age for communities lies in the potential of modern communications and the information economy. By bringing the capacity to perform tasks virtually to any community, the digital age offers communities a chance to use their natural points of leverage to build and/or attract information and technology-based businesses and enhance the connectivity of their communities to the global economy.

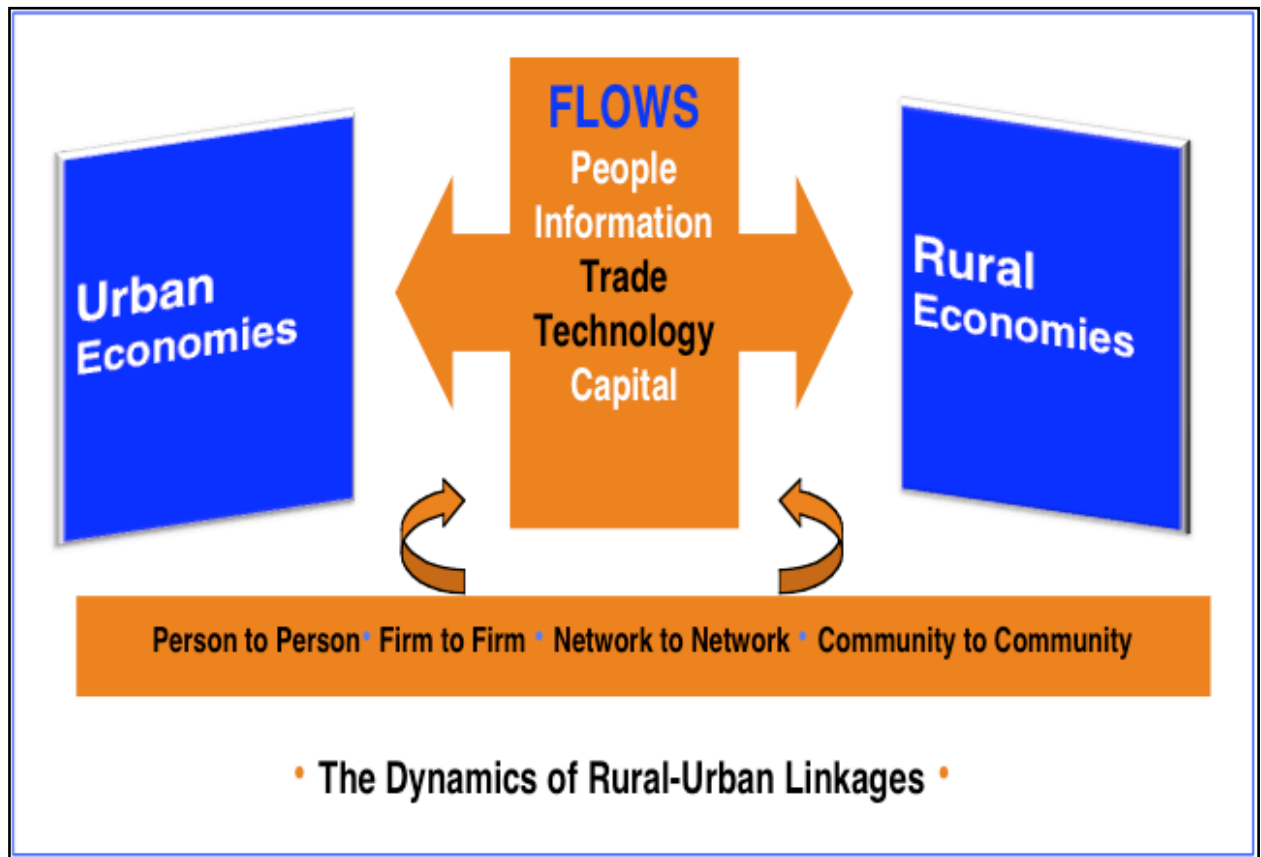
Yet at the same time, the processes of the information age, by allowing for the further automation of tasks, both industrial and commodity-based, could further erode the economic role played by smaller communities.

In a networked economy the competitiveness and prosperity of a company, a community or a region is increasingly determined by the power of its connections elsewhere. Kevin Kelly, editor of WIRED magazine, has called networks – possibility factories.

On the one hand, dynamic, growing economic sectors of cities and regions become linked and integrated globally creating new opportunities. On the other, hinterlands (small, rural towns) become increasingly disconnected from nearby metro centers & the global economy. Rural areas in the networked economy are characterized today less by distance and more by the fact they have thin markets and thin networks.

The graphic on the next page illustrates the many ways in which rural communities can connect more effectively with markets and capabilities in larger metropolitan areas and other markets:

- Connective infrastructure, i.e. telecommunications and transportation



- Organizational connections, e.g. university to university, business to business
- Personal micro-networks based on business, leisure or recreation
- Outward-oriented firms who have already engaged in the difficult process of overcoming spatial market boundaries and are exporting on a regular basis
- Events (conferences, seminars, meetings, community events and festivals) that bring outside partners in business and government to your community and region are also very effective ways to showcase the best aspects of your economy create relationships to build new economic opportunities.

Personal micro-networks based on business, recreation, leisure and other factors are a critical element of the network economy and play a key role in building substantive connections between places.

Business exchanges and business exchange programs are not new. And there are several successful models for exchanges.

- *The Countryside Exchange* – a program for mid-career professionals in community, economic, and resource development that holds exchanges between communities in the United States and the United Kingdom.
- *The Productivity Enhancement Program* of the San Francisco-based Center for Citizen Initiatives – a program that brings industry-specific delegations of Russian business professionals to the United States to introduce them to American business practices and the American way of life.

## Infrastructure is Key to Building Competitive and Livable Communities

Public Service	Interoperability	Transactional	Innovation
Water	Connectivity -> telecommunications	Export processing zones	Specialized facilities -> R&D labs, tech parks, skills training centers
Waste treatment	Mobility -> transit, transport, shipping	Logistics centers	
Roads		Multi-modal shipping	Advanced services for connectivity, energy, environmental
Open space	Distribution -> water and energy		

### Infrastructure and the High Performance Community

Infrastructure is one of the basic building blocks of economic opportunity. The baseline infrastructure package of an economy includes highways, airports, harbors, utility distribution systems, railways, water, waster and sewer systems, and communications networks.

In today's knowledge-based economy constructing economic advantage in virtually all industry sectors now includes paying attention to specialized connectivity and innovation infrastructure such as university and lab facilities, technology and training centers, export processing facilities, short-line rail, and research parks

Telecommunications, electricity, water and waste systems, and transportation infrastructures (including highways and airports) are vital ingredients of community well being and economic development. But many rural communities are financially stressed because of a limited tax base, the high costs associated with size and scale, and

difficulties adjusting expediently to population growth or decline.

Unlike earlier periods of infrastructure expansion, which were often uniformly national or regional in scope, today's infrastructure needs related to economic development are often related to the specific circumstances and aspirations of the local economy. Local resources must be mobilized and leveraged to the greatest extent possible in making the investments in infrastructure that will create new economic opportunities.

Infrastructure investments can reap high benefits for rural communities. All economic sectors including agriculture and manufacturing show high returns from improvements in basic and advanced infrastructure. Financing rural infrastructure is a challenge found around the globe.

## **Working Together is a Key to Success**

The 21<sup>st</sup> century will be marked by expanding international connections that will provide people and communities everywhere with opportunities to prosper but only to the extent that they are prepared and ready at the local level to participate in this global society.

There is no single formula for success for any community. To foster and sustain a robust local economy a community must take full advantage of its unique combination of natural resources, culture, infrastructure, core competencies in industry and agriculture and the skills of entrepreneurs and workers.

Communities must have the foresight to position themselves for future opportunities and be proactive in putting in place the new tools and resources that are needed to take advantage of emerging opportunities. This will require working hard and working together to take quick and effective action for capturing new opportunities both near and far.

***If the strategy is right the world  
will be your market.***

Koichi Ohmae