

Economic Development in Rural America: An Outcome Focused Approach

*New paradigms
and new practices
for new times*

*A presentation to
PHILANTHROPY AND THE RURAL INITIATIVE
FOR THE 21th CENTURY
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My assignment:

Update you on Economic Development...

...and all that makes it work

Across the glorious diversity of rural America

Describing what philanthropy can do...

...and how government can help

In 30 minutes or less.

What is “Outcome Focused” Economic Development?

Economic development defined by the desired outcome, not activities or inputs:

Abundant, quality jobs and entrepreneurial opportunities that sustain and enhance the well-being of families and communities

If it doesn't lead to this outcome...

...it's **not** economic development.

A bit of history...

1960's to 1980's

- Rapid industrialization swept across rural America
- Companies sought cheaper land, cheaper labor and less regulation
- Rural areas could meet these demands
- Industrial recruiting made good sense because it worked – and set the paradigm

Times have changed

Today

- “The World Is Flat”
- Labor-intensive work can and does go anywhere
- America’s education advantage has eroded
- Technology is fungible – it flows wherever there is money to buy it
- Industrial recruiting is a no-win strategy

How can a rural place successfully compete today?

Four Keys:

- Regional collaboration
- Comprehensive approaches, individualized to place
- Growth from within
- Finding their unique “Sweet Spot”

Why Regional Collaboration?

- New business models require scale
 - e.g. big-box retailers and Internet vendors
- Competing requires bulk buying power
- Fierce competition makes margins thinner
 - More sales needed to break even
- Niche markets “fill the gaps”
 - Niche markets also require scale
- *Activities once competitive at the local level now require a regional market to survive*

Why Comprehensive and Individualized?

- Issues faced are both complex and interdependent
- Multiple rural Americas require individualized approaches

Delta – Poor schools, plentiful workforce

vs.

Plains – Good schools, sparse workforce

- One size does not fit all!
- Each area must build on its strengths and minimize its weaknesses

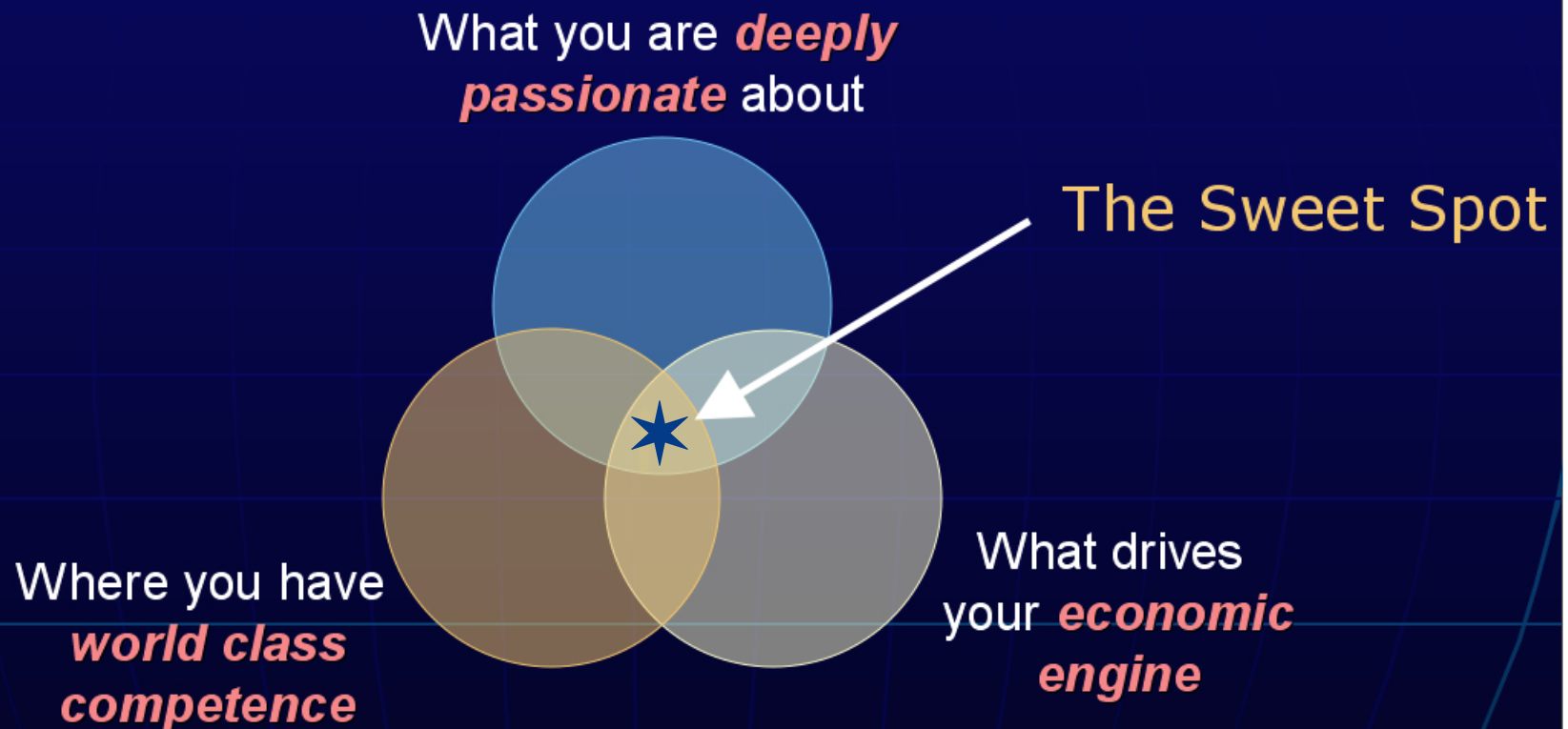
Why Growth from Within?

- 95% of all new jobs are created by local “small” businesses (<200 workers)
- No one wins the ***“Toyota Lottery!”***
- It’s cheaper and easier to keep and grow what you already have
- Local businesses have “roots” and are less likely to leave

What is the Sweet Spot?

The place where passion,
competence and economics
coincide!

“Good to Great” by Jim Collins Adapted from “The Hedgehog Concept”



So how can Philanthropy and Government best help?

1. Abandon the old paradigm – teach the new
2. Encourage regional efforts
3. Support comprehensive approaches – individualized to place
4. Promote growth from within
5. Help communities and regions find their “sweet spots”

1. Abandon the old paradigm and teach the new

■ Foundation roles

- Support efforts to build new leaders and raise awareness of existing ones
- Support national and regional resource organizations that research and convey good practices and provide technical assistance

■ Government roles

- Restructure programs, rules, and regulations to eliminate incentives and provide disincentives for *smokestack chasing*

***No one will unilaterally disarm,
the impetus must come from above***

A new maxim for this new age:

- Yesterday we defined insanity as:
“...trying the same thing over and over again and expecting different results”
- Today we might more appropriately define insanity as
“...trying something that worked in the past and expecting the *same* results”
- We must change the paradigm with changing times

2. Encourage the development of regional efforts

■ Foundation roles

- Use your influence to get people to the table to work beyond their parochial interests
- Support efforts to forge regional vision and commitment to action

■ Government roles

- Continue and expand support for regional initiatives such as the Rural Collaborative Investment Program
 - (Section 6028 of Ag. bill as passed by the House)

■ Roles for both

- Work to devolve control of resources to the regional level

The MIF Example

- 1986 – The McKnight Foundation devolved control of its rural grantmaking to the Minnesota Initiative Foundations
- 20+ year partnership – one of the most effective rural philanthropy initiatives ever undertaken
- Resources attracted and raised in and for local communities exceed McKnight's commitment
- MIFs have distributed amounts in excess of the McKnight commitments and built permanent assets exceeding the McKnight commitments
- Results include tens of thousands of new jobs, and transformed regional economies

3. Support comprehensive approaches – individualized to place

■ Foundation roles

- Adopt promising practices and learn from groups like:
 - The Chapin Hall Embedded Philanthropy Network
 - The Grassroots Grantmakers Network
- Research and disseminate models that work

■ Government roles

- Build flexibility into federal funding streams for economic and community development
- Coordinate programs across agencies to address comprehensive regional initiatives

■ Roles for both

- Support efforts that fall “outside the box” – if they promote the outcome of increased economic wellbeing for families and communities

Getting “outside the box”

*Depending on place,
outcome-focused economic development
may require investment in:*

The Traditional

- Entrepreneur Development
- Business TA
- Loan Packaging
- “Gap” Lending
- Public Infrastructure
- Regional Marketing
- Workforce Training

The Not So Traditional

- Healthcare
 - Workforce Housing
 - Childcare
 - Worker Transportation
 - Early Childhood Education
 - K-12 Education
 - Career Pathways
 - Postsecondary Education
- ...and much, much more*

4. Promote growth from within

- Foundation roles
 - Support entrepreneurial development
 - Disseminate good practice (e.g. RUPRI-CRE)
 - Curriculum development (e.g. Kauffman/FastTrak)
 - Test promising local practices (e.g. Kellogg/EDS)
 - Consider Mission Related Investment in regional loan funds – **Or create and run one yourself!**
- Government roles
 - Capitalize regional loan programs focused on small business (EDA, USDA IRP, CDFI, etc)
 - Support SBA programs and the SBDC network
- Roles for both
 - Support Business Expansion and Retention programs

Remember:

***If you entice a company
to come to a community...***

***...someone else undoubtedly will
offer it more to go elsewhere!***

5. Help communities and regions find their *“Sweet Spot”*

- Roles for both Government and Foundations
 - Support:
 - research
 - technical assistance
 - planning
- Government roles
 - Ensure that public data is available for rural places on a timely basis

Finally, a *shameless* plug...

Attend the Economic Development breakout for three stories of rural efforts that found their *Sweet Spot*:

- **West Central Initiative**
 - Perhaps the most innovative community foundation in America when it comes to supporting economic development
- **Southern Good Faith Fund**
 - A superb example of a rural nonprofit taking a comprehensive approach to economic development
- **First Nations Development Institute**
 - A powerful story about how an asset-building approach can promote economic development in native communities

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