Community Economic Development:
Frameworks, Strategies, & Issues

As discussed in the first two publications of this community economic development (CED) series, community economic development is a crucial process for any community. Several broad approaches exist and can be used as a guide for community residents and leaders. However, these CED approaches are somewhat broad and lack detailed information for implementation. In this third publication, a more detailed discussion is presented regarding community economic development frameworks and strategies. It also includes general CED issues that community residents and leaders need to be aware of.

CED Frameworks & Strategies

We will review the following CED frameworks and strategies: community capitals, intelligent community, creative class, CARE model, and cluster-based economic development. You may have heard of some or implemented them without realizing they were part of a broader strategy or theoretical concept. Regardless of the framework or strategy, they all fall under one or more of the broad community development approaches discussed in MSU Extension Information Sheet 2019 *Community Economic Development: Approaches*. We will discuss the more general frameworks or strategies first and then move into the more specific. Remember that these strategies and frameworks overlap in some areas and are not mutually exclusive.

Community Capitals Framework

First up is the community capitals framework. This CED framework is perhaps the broadest and most comprehensive. At its core, this framework attempts to describe any community using seven capitals: natural, financial, built, social, political, human, and cultural (Emery and Flora, 2006; Flora and Flora, 2012). When these capitals are properly connected, mobilized, and leveraged, the results are healthy, vibrant, prosperous, and empowered communities. Also note that, while financial capital is typically the first to come to mind, there are actually six other types in any given community.

According to Emery and Flora (2006), natural capital refers to assets particular to a location or region such as weather, air, soil, and biodiversity. Financial capital includes money, income, wealth, and so forth. Built capital is understood as the infrastructure supporting all other capitals and includes water/sewer systems, utilities, broadband, and so forth. Social capital refers to the connections between people and organizations and is reflected on strength of networks, levels of trust, and so forth. Political capital includes access to power and connections to resources and power brokers such as influential local/state elected officials. Human capital describes skills, educational attainment, health, and self-esteem of residents. Lastly, cultural capital incorporates traditions, customs, and rituals, and influences what voices are heard and how creativity and innovation emerge.

Ok, so what? Jacobs (2007) describes the following hypothetical situation: Jane Doe decides she wants a walking trail in her community. She takes a leadership development class to learn new skills (human capital is leveraged). She then partners with a local hospital official who wants to implement a wellness campaign and the chairman of the local parks and recreation department to identify land for the walking trail (social, natural capital are tapped). She works with the city to secure the land, while a state senator informs her of a grant that can be used for the trail. The tourism board likes the idea and provides additional funding (political, financial capital are tapped). The city builds a walking trail, and the local historical society adds historic markers (cultural, built are leveraged).

Though oversimplified, the previous example showcases how the capitals feed off each other to accomplish

a greater good that has economic and social impacts on the community. This example can be easily applicable to a specific economic development project or to identify the needs and assets in a community. The point is that, when successfully connected and leveraged, the community experiences a "spiraling-up" situation (Emery and Flora, 2006) where one capital builds on another, which builds on another, and so on. On the other hand, these capitals can negatively impact each other to the point of experiencing a "spiraling-down" (Emery and Flora, 2006). This framework also highlights that community capitals can be wasted and hoarded. As a community, you need to be aware of which capitals are available, which are lacking, and how to better mobilize them to benefit the community.

Intelligent Community Framework

Up next is a comprehensive framework called the intelligent community. Some scholars argue that humanity is on the verge of a second machine age where digital tools will do for mental power what the steam engine did for muscle in the industrial revolution (Brynjolfsson and McAfee, 2014). This second machine age is characterized by exponential improvements in computing power, cloud storage, and digitization; by the ability to combine and recombine ideas leading to innovations, thanks to massive amounts of data (Brynjolfsson and McAfee, 2014); and by more frequent and stronger industry disruptions (McQuivey, 2013). These characteristics have tremendous impacts on businesses, governments, and residents.

What is an intelligent community? According to Bell, Jung, and Zacharilla (2014), an intelligent community understands the challenges of the digital age and takes conscious steps to prosper in it. This, of course, is easier said than done, but there are some things that can help: broadband connectivity, knowledge workforce, innovation, digital equality, marketing, and sustainability. Considering these indicators when designing and implementing CED strategies will help the community become intelligent, which leads to prosperity, inclusiveness, and sustainability. More importantly, communities adapt.

As a quick mental exercise, ponder the following questions:

- Does your community encourage deployment and adoption of broadband?
- Are programs and policies in place that better prepare the workforce for the digital age, such as soft skill development, student-centered learning, teamwork, robotics, and programming?
- Does your community offer programs and/or incentives for home startups or entrepreneurs?
- Does your local government interact digitally with its residents through websites, social media, and apps?
- Do employers, schools, or hospitals/clinics have telehealth capabilities?
- Do your businesses understand the different online presence strategies and the availability of capital through crowdfunding?
- Are teleworking (working from home or other locations) policies in place or incentivized in any way?
- What about providing digital literacy and/or access to computers and Internet for those who cannot afford it or don't have access to it?
- Is there a strategy in place to proactively manage the community's online reputation? (Hint: Google your community and see what comes up.)
- Are agroecology and/or precision agriculture techniques promoted and used?
- Lastly, are efforts being made—through water conservation, installation of solar panels and/or windmills—to ensure natural resources and livable conditions are available for future generations?

One important thing to clarify is that broadband and its applications are not a silver bullet. In fact, some broadband applications are perceived as violating privacy and security, and some people consider the so-called broadband economy to be responsible for the increasing inequality. Broadband can only enhance an existing community development approach. Community issues will not simply disappear if broadband connectivity or adoption is achieved; rather, community development must be coupled with this new and increasingly chang-

ing technology and its applications. For example, a recent study found that resiliency in rural Scottish communities was, in part, achieved thanks to creative workers relying on broadband connectivity and applications (Roberts and Townsend, 2015).

Despite the negatives, this framework can help address an emerging threat: the digital divide. This divide consists of a gap between those who use and understand the technology versus those who don't have access to it, can't afford it, or don't know how to use it. Why is this important? Well, those on the wrong side of the divide are being left farther behind. More importantly, situations change quickly and constantly in this digital age, so it is very important to stay up-to-date.

Creative Class

Shifting gears a bit to a more specific framework is the creative class strategy. This strategy boils down to the argument that development depends on novel combinations of knowledge and ideas (Florida, 2014). Considering this, communities with a more "creative" labor force are more likely to be prosperous compared to communities with a more "traditional" labor force (Florida, 2014). This strategy not only singles out creative occupations, but it also focuses to a lesser degree on service and working occupations. The argument is that people who work in creative occupations tend to be attracted to areas with higher tolerance, talent, and technology (Florida, 2014), as well as outdoor amenities, active lifestyle opportunities, and tourism (McGranahan, Wojan, and Lambert, 2011).

As community leaders using this strategy, you should try to attract and retain these professionals and their associated creativity by funding arts and culture, encouraging racial and social tolerance, and promoting technological advancements (Hatcher, Oyer, and Gallardo, 2011). In fact, rural areas close to metropolitan areas are prime candidates to pursue this strategy because they probably meet these requirements. Criticisms of this strategy include that it focuses mostly on urban areas and overlooks rural areas; also, the assumption that more diversity leads to more tolerance, in turn attracting more creative workers, may not hold, especially in more rural areas, since more diversity may lead to more conflict. In addition, some believe this strategy is elitist because it focuses almost exclusively on the creative class.

Regardless of what your thoughts are on this strategy, remember that it is more popular in urban and suburban cities and has yet to be adopted or implemented by more rural communities. The fact that it can be (incorrectly) seen as focusing primarily on art-related professions makes it a hard sell for community and economic developers. In fact, a survey of economic developers in Kentucky found that local economic development policy should focus primarily on retaining existing businesses and advocate for infrastructure improvements, and focus less on creative class-related policies such as increasing a community's art and cultural opportunities (Hatcher, Oyer, and Gallardo, 2011).

CARE Model

This strategy focuses on economic development. CARE is an acronym that stands for create, attract, retain, and expand. Generally, local economic development organizations use the CARE model to guide their efforts. Economic development strategies have evolved in stages over time, ranging from recruiting external firms (known as smokestack chasing) to fostering innovation and entrepreneurship (the "third-wave") (Bradshaw and Blakely, 1999).

The **create** component refers primarily to entrepreneurship. For example, according to the U.S. Census Bureau, of the more than 260,000 establishments—single physical locations where business is conducted or where services or industrial operations are performed—in Mississippi in 2013, about 77 percent were non-employers (had no paid employment or payroll), yet had receipts of $1,000 or more. Granted, the majority of these could be necessity/lifestyle (start a business to supplement their income) entrepreneurs, but, nonetheless, the number is eye-opening. A simple way to encourage this is to start entrepreneurship competitions where potential entrepreneurs are educated through a series of workshops, and, at the end of the program, the winner receives some funding and/or incentive to actually start a business. This component is more effective if tied to entrepreneurship curricula in the schools, availability of capital, and a community that embraces and encourages entrepreneurs while removing social stigmas if they fail.

Recruiting external industries to the community is primarily what the **attraction** component relies on. This was a popular strategy back in the 50s through the early 90s and continues in some rural areas. However, due to globalization, this practice is more and more competitive today. Yes, recruiting external industries diversifies the economic base and provides a mechanism for external money to flow into the community. But a study completed by the *New York Times* in 2012 found that many communities ended up losing when factoring in the amount of incentives provided versus the number and quality of jobs generated (Story, 2012). In addition, nothing guarantees that companies recruited this way won't leave on a moment's notice.

The last two components of the CARE model go hand in hand: **retention** and **expansion**. This component forces communities to look inward. Back to census figures, of the same approximately 260,000 establishments in Mississippi in 2013, about 11 percent had one to four employees, and close to 8 percent had five to nineteen employees. Including those establishments with no paid employment, only 3 percent of establishments in Mississippi had 20 or more employees. To put it another way, close to 97 percent of Mississippi establishments had no paid employees or fewer than 20 employees. Again, the potential to generate jobs increases vastly if these entrepreneurs receive assistance to grow and expand.

Cluster-Based Economic Development

Last but not least, we turn to cluster-based economic development. Until the 1990s, the development of nations could be explained due to *comparative* advantage. In other words, a specific nation developed or did better because it had specific natural resources that another nation did not. But this explanation was less and less convincing by the 1990s when the *competitive* advantage argument was introduced (The Competitive Advantage of Nations, 1990).

The new explanation argued that nations or regions that have a competitive advantage are the ones that prosper. This competitiveness is defined by four factors known as the diamond model: (1) input conditions; (2) demand conditions; (3) firm strategy, structure, and rivalry; and (4) related and supporting industries (Porter, 2000). This competitiveness is not reflected everywhere but, rather, in pockets or clusters. These clusters were a geographical concentration of related industries and—so the theory argues—were responsible for a region or nation pulling ahead (Porter, 2000). The main reason for this was that firms in clusters were not only competing but collaborating and, as a result, were innovating more than firms that were "isolated" or not in clusters.

Clusters can be identified by calculating location quotients (above 1.25 indicates a potential cluster) that measure the level of concentration of a particular industry in the region compared to the nation. In addition, industrial clusters can be vertical or horizontal. A vertical cluster consists of *one* major exporter along with its supplier, related, and supportive industries and institutions. A horizontal cluster, on the other hand, consists primarily of *multiple* companies in the same industry along with their supplier, related, and supportive industries and institutions.

The idea is that, once a cluster is identified in a particular region, efforts should be made to plug the "leaks" of that cluster and its related industries through creation, attraction, or both. For example, if a shipbuilding cluster is identified on the Mississippi Gulf Coast, then efforts should be made to attract additional shipbuilders or providers and/or supporting industries of the shipbuilding industry. These recruitment efforts are more effective because the cluster is already in place, including workforce training programs, facilities, and a work ethic related to shipbuilding.

Unfortunately, this strategy is becoming outdated for two main reasons. First, innovation in the digital age is not necessarily more prevalent in clusters; it is also taking place where communications technology allows efficient and real-time competition and collaboration. Second, geographic proximity to providers and customers is becoming less relevant in the digital age as the world becomes more connected, transportation and distribution mechanisms continue to improve, and communications technology becomes more sophisticated. Nonetheless, the fundamentals of this strategy—collaborate and compete with supporting infrastructure and institutions—are useful for communities when developing CED strategies.

Community Economic Development Issues

As discussed, there are multiple community economic development frameworks and strategies, ranging from a specific group of occupations that are associated with economic growth (creative class) to a group of related industries that innovate more than those in isolation (cluster-based economic development) to multiple capitals that need to be present in a community to thrive (community capitals). However, what all these frameworks and strategies assume and *need* are leadership and education. Weakness in these areas can be a major barrier to community economic development.

Leadership is the most important requirement for community economic development. Leaders can be elected officials, business people, community and economic developers, interested citizens, or all of the above. Without leaders, CED strategies are almost impossible to implement effectively. But what is leadership? Leadership is a behavioral process that can influence activities of individuals and groups to accomplish specific objectives or goals (Robinson and Green, 2010). Many times, the leader may also have the resources (say, a banker) needed to address the specific issue. In the end, a leader should be able to create (influencing other people or groups) and/or tap into (via partnerships and collaboration) resources inside and outside of the community.

Of course there are different types of leaders, but, for CED, the leader must be able to mobilize multiple resources toward a predefined goal. Mobilization takes place through *partnerships* and *collaboration*. Because of the complexity of CED issues, nobody can do it alone. This is why leaders are critical as the glue holding together multiple resources and groups needed throughout the CED process. This applies not only for a self-help approach (see Information Sheet 2019), but also when community trust and buy-in are needed. For example, if external experts are needed, they will be more successful if a local champion or leader serves as a bridge to the community.

Unfortunately, time and time again, leaders are weak, nonexistent, or simply do not share the specific vision for the community moving forward. Because of the pressing nature of community issues, multiple uncoordinated efforts may emerge but will not accomplish much, resulting in frustration and a pointing-fingers attitude. Keep in mind that, many times, multiple groups in the community may not even agree on what the problem is! A leader or group of leaders is indispensable for any CED process. If your community decides to pursue any CED framework or strategy, identifying the local "movers and shakers" and their networks is a must *before* the planning and/or implementation. Involving different groups of the community may shed light on additional issues (and resources) while providing legitimacy.

Another very important community characteristic is education—more specifically, the relationship between schools (including higher education) and the communities where they are located. Community and economic developers may focus too narrowly on their tasks, overlooking the importance of schools. In fact, some may even perceive local schools as a drain on scarce local tax revenues that, in their minds, could be better used for business incentives or other necessities. On the other hand, some schools may not be integrated fully in their communities and, in some cases, may be perceived as disengaged. This tension should be addressed before engaging in CED efforts. In fact, schools can become a tremendous asset for CED purposes and should not be seen as a separate issue or a "drag" on the community. The bottom line is that communities and schools are part of the same ecosystem: vibrant schools require vibrant communities and vice versa.

Another community economic development issue to remember is the digital divide. As discussed previously, the digital divide refers to those with access to broadband versus those without access to or knowledge of the technology. Some research organizations and think tanks have identified the digital divide as a serious threat to economic growth (Boston Consulting Group, 2012; McKinsey Global Institute, 2011). The reason is simple: as more and more resources are only available online—such as job searches and applications—those on the wrong side of the divide will be left farther behind.

The digital divide can impact the CED process in two ways. First, it may undermine the technology's capacity to engage and incorporate diverse groups in the community. Digital platforms make it much easier to communicate and improve engagement efforts. Second, digital applications can provide alternative funding

and information mechanisms for communities through crowdfunding and crowdsourcing. Crowdfunding is a great option for nonprofits and grassroots organizations when raising funds for specific projects; it can also help entrepreneurs and small business owners. Crowdsourcing, on the other hand, is related to brainstorming. Specific issues or situations can be posted to obtain best practices and potential solutions.

Make no mistake: community and economic development are intertwined. It is important to distinguish them theoretically, but both are needed to make a community *sustainable*. In other words, CED allows residents to mobilize and build assets to improve their quality of life in a sustainable way. If too much effort is placed on either at the expense of the other, the community will struggle and will not be sustainable. In this particular context, sustainability refers to engaging in practices that result in availability of resources, services, and quality of life for future generations.

CED is a complex process. Multiple moving parts and players are involved, and efforts may take years to bear fruit. However, with committed leaders and a clear vision of where the community wants and needs to be, CED can truly move communities forward in a comprehensive way. Community challenges and opportunities emerge together; it is up to the community to decide if it will focus on the challenges or the opportunities. CED is a process that allows a community to focus on both.

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