

# Module Seven: Exploring Opportunities for a Stronger Region

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Module Seven will focus on the identification of clusters in a region. It also examines economic development strategies that might be useful for creating or strengthening a cluster.

## Using the Workbook

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The participant workbook contains worksheets designed to assist participants in planning their economic development effort.

## Group Exercises

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There are four group exercises in this Session. The exercises will help the participants understand the materials, and will provide a break from listening to presenter and allow the participants to get to know each other a little.

A summary of the group discussions and exercises:

Slide #18: Business and Industries Data Sheet

Slide #23: Self-Employed Data Sheet

Slide #41: Data on Regional Clusters

Slide #52: The Creative Class Exercise Worksheet and Creative, Working, and Service Classes Data Sheet

# References

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## Web Links Utilized in Module Seven

*BEA-REIS Data*

<http://www.bea.gov/regional>

*Bureau of Economic Analysis*

<http://www.bea.gov/regional>

*California Department of Food and Agriculture*

<http://www.cdfa.ca.gov>

*Center for Rural Entrepreneurship*

<http://www.energizingentrepreneurs.org>

*ESRI Business Information Solutions*

<http://www.esri.com/products/index.html>

*Economic Modeling Specialists, Inc. (EMSI)*

<http://www.economicmodeling.com>

*EXCEL Management Systems, Inc. - County Business Pattern Data & IMPLAN Data*

<http://www.emsi.com>

*IMPLAN Economic Modeling*

<http://implan.com/V4/Index.php>

*U.S. Census – Non-employer Statistics*

<http://www.census.gov/econ/sbo>

*U.S. Census – County Business Patterns*

<http://www.census.gov/epcd/cbp>

*University of Wisconsin Extension*

<http://www.uwex.edu>

*UWEX Center for Community Economic Development*

<http://www.uwex.edu/ces/cced>

*Woods and Poole Economics*

<http://www.woodsandpoole.com/index.php>

# References

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## Text Utilized in Module Seven

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- Cox, L.J., et al. (2009). The community business matching model. In S. Goetz, et al. (Ed.), *Targeting Regional Economic Development* (pp. 255-278). New York, NY: Routledge. ISBN 0-203-88349-7.
- Davis Reum, A., & Harris, T. (2006). Exploring firm location beyond simple growth models: A double hurdle application. *The Journal of Regional Analysis & Policy*, 36(1), Retrieved from <http://www.jrap-journal.org/pastvolumes/2000/v36/F36-1-4.pdf>
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- Porter, M. E. (1990). *The competitive advantage of nations*. New York, NY: The Free Press.
- Reynolds, P. D., Carter, N.M., Gartner, W.B., & Greene, P.G. (2004). The prevalence of nascent entrepreneurs in the United States; Evidence from the panel study of entrepreneurial dynamics. *Small Business Economics*, 23, 263-264
- Tawari, R, Buse, S, & Herstatt, C. (2007). Innovation via global route: proposing a reference model for chances and challenges of global innovation process. *Proceedings of the Second International Conference of Globally Distributed Work*, 49. Retrieved from [http://www.global-innovation.net/publications/PDF/Working\\_Paper\\_49.pdf](http://www.global-innovation.net/publications/PDF/Working_Paper_49.pdf)

**Slide: 1**

**Time:** Use at start of discussion



***Instructions:***

This module focuses on the identification of clusters in a region. It also examines economic development strategies that might be useful for creating or strengthening a cluster. You will have data available prior to this meeting that you should hand out to the group. The data will include information on the general industrial make up of the region and potential industrial clusters. Depending on how advanced the group is in their planning experiences, you might request additional analyses from your appropriate Regional Rural Development Center.

Have this slide showing when the participants arrive.

***Script:***

“Welcome to Module Seven: Exploring Opportunities for a Stronger Region. Our focus in this session will be to examine specific strategies for advancing the economy of your region.”

**Slide: 2**

**Time: 5 Minutes**

### Reflecting on the Previous Session

- What did you find most useful or valuable about the previous session on the demographic features of your region?
- What progress have you made since the previous session in terms of your homework assignments?
- Any questions or clarification about Module Six?



***Instructions:***

If you have given homework from the previous session, now would be the time to review what the group has accomplished. This is also the time to clarify any questions from the previous session.

***Script:***

“Hopefully, you’ve had time to digest the demographic data that was shared with you in Module Six on your region. What are your observations now that have time to think about these data and trends? What have you decided are the most useful elements of the previous session? Have you made any progress since the last time we met in terms of your team assignments. If so, what? Any questions, comments, or concerns before we proceed to Module Seven?”

**Slide: 3**

**Time: 1 Minute**

## Overview of Module Seven

- Explore basic concepts of competitive advantage
- Provide an overview of tools and data available to detect regional competitive advantage
- Examine strategies for building stronger regional economies



### ***Instructions:***

Note that there is a good bit of information in this session. Depending on how far along the group is, it might be best to do this module in two sessions. If the group has had NO prior experience working together before or looking at economic data, delivering this module in two sessions may be your best option.

### ***Script:***

“This module is packed full of information. We want to cover three main topics. The first is to understand the basic concept of competitive advantage. In essence, what does a region need in order to gain a competitive advantage in a particular industry?”

We follow that by looking at the tools and data for detecting a competitive advantage in a region. Then, we will explore several strategies for building stronger regional economies.”

**Slide: 4**

**Time: 1 Minute**



***Instructions:***

This first section provides a brief overview of the concept of competitive advantage. Even with experienced groups, this section will be important to review in order to ensure that common understandings and definitions are used by the group as it proceeds with its planning activities.

***Script:***

“We’d like to start by taking a bird’s eye view of Competitive Advantage to ensure that we are all thinking alike when it comes to this concept. This will help us move forward together in a more seamless way as we begin to look at specific economic development strategies that might make sense for our region.”

**Slide: 5**

**Time: 1 Minute**



**Instructions:**

Before showing the lower portion of this slide, first ask the group what they think creates a competitive advantage in a region? Write their answers down on a flip chart and try to organize the responses based on the four determinants discussed here.

**Script:**

“What do you think provides a region with a competitive advantage? What factors improve a region’s relative standing and what factors are obstacles to creating a competitive advantage?”

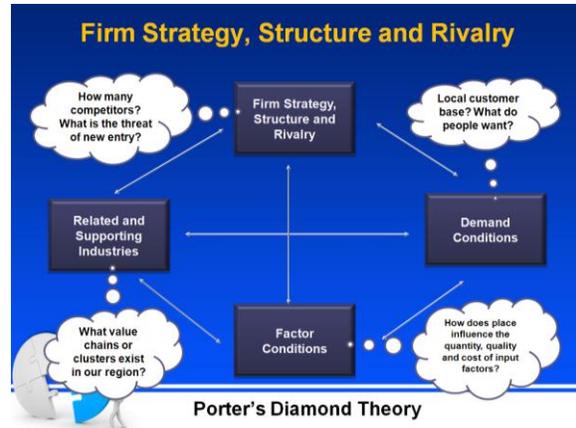
[At this point, ask for input from the participants and write the responses on a flipchart. When appropriate, introduce the information contained in the next paragraph.]

Michael Porter, a Professor at Harvard, suggested that there are four factors that determine competitive advantage.

The first is firm strategy, structure, and rivalry; the second is the set of factor conditions within the region; third is related and supporting industries and the fourth factor is demand conditions. We will talk about each of these factors and how they interact with each other in our next slide.”

**Slide: 6**

**Time: 2 Minutes**



**Instructions:**

This slide introduces the four factors in Porter's Diamond Theory. Review these concepts with participants to help form a foundation for later discussion.

**Script:**

"Let's start with firm strategy, structure and rivalry. What defines the region's firm structure? How many competitors are there? What is the quality of the goods and how does it vary across the firms? Are there customer loyalty? Are there barriers to entry? Are there economies of scale in production?"

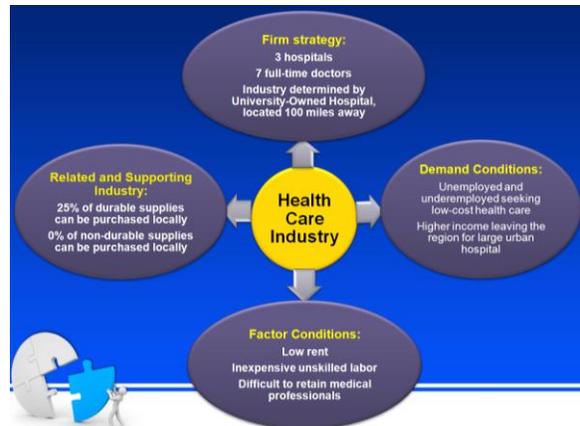
Demand conditions can represent either the local customer base for service-based industries or global demand conditions for export industries. Who are the customers and what do they want?"

Factor conditions describe the quality and cost of doing business. This would include labor force, infrastructure, land, etc.

Finally, related and supporting industries are the businesses in the region that either supply inputs to an industry or are firms that are competing with each other."

**Slide: 7**

**Time: 2 Minutes**



**Instructions:**

Use this slide that depicts an example of Porter's Diamond Theory to help participants solidify their understanding of the concepts we presented in Slide Six.

**Script:**

"Here is an example of Porter's Diamond Theory applied to a hypothetical health care industry in a rural area.

Firm strategy is described by the number of hospitals, the number of medical professionals, and the ownership and management of the health care options.

Demand conditions include the need for medical services. In this example, low-income individuals use local health care services but higher income individuals leave the region and travel to the nearest city for health care.

The factor conditions in this region for health care include low rent, inexpensive unskilled labor, but at the same time a difficulty in retaining medical professionals.

Finally, the related and supporting industries supply both durable and non-durable inputs into the health care industry. Durable goods are those that aren't consumed or quickly disposed of, and can be used for several years. Non-durable goods are those that do not last a long time or are quickly consumed. In this example none of the non-durable supplies (latex gloves, sanitizer, etc) the hospitals consume can be purchased locally, because they aren't produced locally and very few of the durable goods (hospital beds, mammogram machines, etc) can be purchased locally."

**Slide: 8**

**Time: 1 Minute**

**Regional Competitive Advantage**

- **Businesses are competitive** to the degree they can generate profits.
- **Places are competitive** to the degree their residents can build wealth.
- **Regional competitive advantage:** the interaction between businesses, industry and places that generate local wealth.
- **Wealth building opportunities** also exist outside of the private sector (government, non-profit organizations, and investments)



**Instructions:**

This slide introduces several key connectors in the discussion of competitive advantage.

**Script:**

“There are several important relationships to consider as we explore regional competitive advantage.

- Businesses are competitive to the degree they can generate profits.
- Places are competitive to the degree their residents can build wealth.
- Regional competitive advantage can be detected as the interaction between businesses, industry and places that generate local wealth.
- Wealth building opportunities also exist outside of the private sector (government, non-profit organizations, and investments).”

**Slide: 9**

**Time: 1 Minute**



***Instructions:***

This slide begins the second section of Module Seven – one in which we examine the set of tools and data that can help a region determine its competitive advantage.

***Script:***

“Now we will begin looking at some of the tools and data that will provide some important insights on our region’s competitive advantage.”

**Slide: 10**

**Time: 3 Minutes**



***Instructions:***

In this next section of Module Seven, we want to focus on the components of a region that are key to economic growth. Each one will be discussed in greater detail in several of the following slides. The people (workforce) has already been discussed to some extent in Module Six, but since it is such an important feature of a regional economy, it makes good sense to revisit this topic again in this module, particularly if we want to examine specialized skills or occupations that the region might want to target for further expansion.

***Script:***

“What are the keys to economic growth? In general, the key elements are people, place, businesses, innovation, and creating a brand or cluster for a given place or region.

What’s your reaction to this list? Are there other important keys left off this list?

[Allow for discussion]

In the next few slides, we’ll take a closer look at each in hopes that we can offer you some important insights.”

**Slide: 11**

**Time: 1 Minute**



**First Key to Economic Growth: People**

- Who are our workers?
  - Skill level, education, occupation
  - Work ethic
- Who are our residents?
  - History and culture
  - Long time residents, newcomers

The slide features a blue background with yellow text. At the bottom, there are four small images: a puzzle piece, a group of people, a sign that says 'WELCOME TO THE FAIR', and a person in a white dress.

***Instructions:***

The first item we want to examine is PEOPLE, specifically two groups: the workforce and local residents.

***Script:***

“If there is any of the five keys that we would identify as crucial to economic growth it is PEOPLE!! They represent both the workforce and the residents of a region.

Who are the workers in the region? What are the skill levels and educational attainment of these individuals? Do the residents like to work?

Who are the residents? Is there a strong culture and rich history of the families in the region, and if so, what are they? Are there many newcomers to the region?”

**Slide: 12**

**Time: 2 Minutes**

## People: The Residents

- Who are the people that live in this region?
  - How long have they lived here?
  - How many generations have lived here?
  - Where did they move from?
  - Why?
- Why do they like living here?
  - Social conditions
  - Cultural factors
  - Economic prospects



### **Instructions:**

This slide continues to highlight some of the important aspects of local residents that have relevance to the economic opportunities and activities in the region. Try to generate discussion among the participants around these questions.

### **Script:**

“Let’s delve into the importance of knowing more about local residents and how they might play a role in enhancing economic prosperity. Understanding the history of the residents can help identify strategies to make people better equipped for the workforce. By recognizing the cultural background of the people, education, common skill sets, reasons for living in the community, and jobs that have been passed on from generation to generation will allow us to discover what lies ahead without any intervention.

So, it may be useful for us to ask ourselves the following questions:

- *Who are the people that live in this region?*
  - How long have they lived here?
  - How many generations have lived here?
  - Where did they move from?
  - Why?
- *Do they like living here and why?*
  - Social conditions?
  - Cultural factors?
  - Economic prospects?”

**Slide: 13**

**Time: 2 Minutes**

**People: The Workforce**

- Who are our workers?
  - Basic demographics
  - Experience
  - Work ethic
- Is our workforce adapting to change?
  - Technology
  - Recognizing needs



**Instructions:**

The second focal point of interest when it comes to “people” is the workforce. The main considerations for workforce are identified and discussed in this slide.

**Script:**

“The second dimension of ‘people’ we want to examine is the workforce that exists in the region. Specifically:

- *Who are our workers?*
  - What are their basic demographic characteristics. . . Such as age and gender?
  - What work experience do they have (education, training, skills and years on the job)?
  - What is the work ethic of those in the local labor force?
- *Is our workforce adapting to change?*
  - Keeping up with technology?
  - Recognizing and responding to the changing needs of regional businesses?

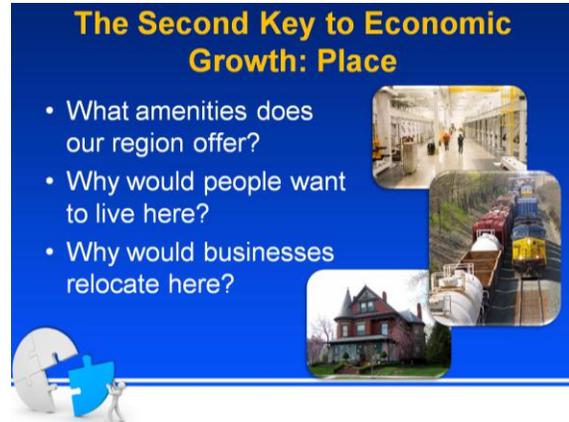
Let’s take, for example, the changing workforce needs in the healthcare industry. In the coming years, all hospitals must implement electronic medical records. This means that all nurses, doctors, and clerical staff have to be prepared for the technological shift. For many, this will require formal training. The degree of difficulty adapting to this change will vary by past exposure to technological improvements and how quickly the current workforce can learn new tools and skills.”

**Slide: 14**

**Time: 1 Minute**

**The Second Key to Economic Growth: Place**

- What amenities does our region offer?
- Why would people want to live here?
- Why would businesses relocate here?

The slide features a blue background with the title 'The Second Key to Economic Growth: Place' in yellow and white text. Below the title are three bullet points in white text. To the right of the text are three small inset images: a modern office interior, a train, and a house. At the bottom left of the slide is a small graphic of a person holding a large blue puzzle piece.

***Instructions:***

This slide introduces the concept of “place,” or “location” as another component of competitive advantage that is worthy of consideration by a region.

***Script:***

“Place, or location, is crucial to growth as well. As a region explores its competitive advantage, it is important to pay attention to the good things that are present in your region. Here are some guiding questions:

- What amenities does your region offer?
- Why would people want to live here? (Such as the quality of education, quality and quantity of healthcare, recreational opportunities, overall cost of living, crime rates, and climate).
- Why would businesses relocate here? How developed is the physical infrastructure? What is the cost of doing business? Where is the population base and the necessary labor force? What is the proximity to suppliers?”

**Slide: 15**

**Time: 2 Minutes**

### **Place: Industrial Indicators**

- Current leading employers
- New and expanding companies and industries
- Research bases, R & D
- Available land and buildings
- Existing infrastructure
- Access to transportation networks
- Tax structure



#### ***Instructions:***

There are two major aspects of “Place” that are worthy of further exploration. The first, discussed in this slide, is the set of industrial indicators that may impact competitive advantage.

#### ***Script:***

“Let’s take a quick look at the important features of ‘Place’ that can play an important part in attracting new businesses and help with the expansion of current businesses. What are the industrial features of ‘place’ that are most likely to interest businesses? Some of the important factors include the following:

- Current leading employers
- New and expanding companies and industries
- Research facilities; location of Research & Development resources
- Available land and buildings
- Existing infrastructure (water, sewer, broadband)
- Access to transportation networks
- Tax structure”

**Slide: 16**

**Time: 2 Minutes**

**Place: People & Quality of Life Indicators**

- Population and labor force
- Education
- Health care
- Recreational opportunities
- Shopping
- Crime, weather, etc.



**Instructions:**

The other element of “Place” that we want to consider includes the people living in the region and quality of life elements that impact a location’s desirability as a business location.

**Script:**

“Although not everyone believes it, businesses are just as interested in the social attributes of a place or region as they are in its industrial characteristics. Businesses will research the people and quality of life indicators in the region. These often include:

- Population and labor force attributes
- The quality of education
- The strength of the health care system
- Recreational opportunities
- Availability/access to shopping facilities
- Crime rates, type of weather, etc.”

**Slide: 17**

**Time: 1 Minute**

**The Third Key to Economic Growth: Business**

- What is the portfolio of businesses in our region (small, medium, large)?
- What's the mix of industrial sectors in our region?

A collage of images related to business and industry. It includes a road sign on a grassy area, a building with a sign, and a person holding a large blue puzzle piece. The background is a blue gradient.

***Instructions:***

Next, turn participant's attention to the importance of existing businesses as an important component of a region's competitive advantage.

***Script:***

"It is important to be aware of the importance of the existing industrial make-up of your region. What is the portfolio of businesses that exist in the region? Are there visible, successful entrepreneurs? Are most of the businesses small? Or is there a good mix of small, medium and large sized firms? [By small, we mean businesses with less than 10 employees; medium means businesses with 10-50 workers; and large are those with more than 50 employees.]

Furthermore, what is the industrial mix of our region? Is it constituted mostly of the manufacturing sector, agriculture, service-based industries, or some combination of these different industries?"

## Slide: 18

Time: 7-12 Minutes

## Worksheet: Businesses and Industries Data Sheet

### Businesses: Regional Data

- What types of industries/businesses currently exist in your region?
- What are the key occupations?
- How have these businesses fared particularly during the economic downturn of the last few years?



### Instructions:

Data should be provided to the team at this time that details the types of businesses and industries in the region. You might want to share the data with them after you've had a chance to go through the script below. Have the group truth-test the data (that is, ask them if the information appears to be accurate given their knowledge of the region). When collecting responses to the questions below, record the answers. These answers will be important to the planning team when it decides what types of businesses and industries might be a good (or not so good) fit when it comes to supporting the region's economic growth. They should pay special attention to what businesses and industries are growing and which ones are declining, and which ones have been closed or been outsourced to other regions or to countries outside the U.S.

### Script:

"Let's talk about the businesses/industries that currently exist in the region.

What is the industrial make-up of our region? (Look at the number of jobs in key industries, such as manufacturing, construction, agriculture, retail trade, government/government enterprises). What key industry type(s) have had positive growth in the region? What key industry type(s) have had negative growth in the region? Are these findings surprising or expected? What are the differences or similarities to what is happening on the state level?

What occupations are most prevalent in the region (i.e., management, education, healthcare, service, sales, farming, etc.)? What are the total earnings per worker associated with those occupations that tend to be most dominant in the region?

Now that we've looked at the data, let's discuss a few other questions. How long have these businesses/industries been operating in the region? How have they fared during our nation's tough economic problems? Would you say they are growing, stable, declining, or are jobs are being outsourced to other places within and/or outside the U.S.?

Have you seen businesses/industries leave the region? What types? Why? Are certain occupations on the upswing or in decline? If so, why?"

**Slide: 19**

**Time: 2 Minutes**



**Business Assistance in the Region**

What type of programs, assistance, or incentives are offered to:

- Support expanding businesses?
- Recruit new businesses?
- Foster the growth of entrepreneurs or small locally owned businesses?

The slide features three images: a calculator, a stack of coins labeled 'LOW-COST LOANS', and a photograph of two business people.

**Instructions:**

This slide is intended to undertake a more detailed discussion of the types of support being provided by to the region's small and entrepreneurial businesses. Although regions tend to recognize that small businesses and entrepreneurial activities are keys to economic growth, they typically overlook these types of enterprises when it comes to offering technical assistance or incentives. More often than not, assistance and incentives are reserved for larger businesses in the region or to big firms that they are seeking to attract to the region.

Be ready to record responses to the questions that are posed in this slide.

**Script:**

"Let's consider some of the business assistance initiatives that are already in place in the region. For instance:

- a) What types of programs do you offer in the region that support expanding businesses?

Examples include job training programs, infrastructure improvement, low-cost loans to purchase or build a facility.

- b) What type of assistance/incentives do you offer to attract new businesses? Are they mostly targeted to firms that are likely to employ a sizable number of people?
- c) What type of assistance/incentives do you offer to entrepreneurs or small locally owned businesses?

[Record responses on a flip chart.]

While many economic development initiatives tend to be targeted to larger businesses existing in the region, or potential new firms being recruited to the area (especially if they are likely to employ many people), efforts are rarely made to support and foster the growth of entrepreneurs or the development and growth of small local businesses. So, let's take a few minutes to further examine these untapped resources."

**Slide: 20**

**Time: 2 Minutes**



**Instructions:**

This slide illustrates the various sources of entrepreneurs. Some pursue new opportunities out of a personal interest or drive to become an innovator. Others have started an entrepreneurial venture out of necessity – a way to help make ends meet during these tough economic times.

**Script:**

“Where does entrepreneurship come from?”

Entrepreneurship can be seeded from many sources, including under-employed workers, self-employed, unemployed, small businesses, etc. Various sources may produce different kinds of entrepreneurs, not simply market-based kinds. For example, social entrepreneurs are individuals who create new or innovative regional institutions which can help support other kinds of entrepreneurial and economic activities. Some are motivated out of a sense of creativity alone, while others may be motivated by a sense of self-preservation, as has been the case for many who are trying to find ways to make ends meet during our nation’s current economic difficulties.

There continues to be some debate as to whether entrepreneurs are born or are made? What are your opinions on this?”

**Slide: 21**

**Time: 2 Minutes**

### Who is an Innovator/Entrepreneur?

Identifying Innovators & Entrepreneurs		Problem/Opportunity	
		<i>New</i>	<i>Old</i>
Solution	<i>New</i>	YES	YES
	<i>Old</i>	YES	NO

**Entrepreneur:** one whose goal is to create or capitalize on *new* economic opportunities through innovation.



**Introductions:**

The table identifies the different arenas in which entrepreneurship opportunities can emerge. Only when the problem and solution are both “old” is entrepreneurship not likely to take hold. In the case of the other three situations, the opportunity for innovation – and thus, for entrepreneurship to emerge – is present.

**Script:**

“As we mentioned earlier, entrepreneurs and small businesses are a too often overlooked resource in a region. Yet, working to grow entrepreneurs may be of tremendous value to a region. What do you think entrepreneurs can bring to a region that other types of businesses might not?”

[Allow for discussion]

In order to explore this topic a bit more, it is important for us to identify differences that exist between an entrepreneur and a small business owner/developer. The approaches each uses and the strengths that each represents can be quite different.

One reason to focus on entrepreneurs is because they tend to capitalize on new economic opportunities through innovation. [You may remember from our earlier slide that ‘innovation’ is one of the keys to economic growth]. This suggests that while the business might start with just a single employee, there are opportunities for tremendous growth in the number of employees, revenues, and tax base. Think of the difference between a tanning salon and the person who invented Post-its. While a tanning salon might start with three or four employees and it may be successful, there is not a lot of opportunity for growth. Arthur Fry, the man that co-invented the Post-it, grew up in a rural area where the school consisted of one room. He invented a glue strong enough to cling to objects but weak enough to allow for a temporary bond. It took a few years for the concept to come to fruition, due to both technical problems with production and management's doubts about the product's marketability. But we know about the rest of this story. He certainly was an innovator.

The chart we present on this slide showcases some key differences in the approach used by an entrepreneur/innovator versus a small business owner. The key word to focus on is ‘new.’ Where a new problem or new solution exists, and an individual (or group) responds, the seeds of entrepreneurship exist. Let’s look further at this idea of ‘innovation.’” [Go to the next slide.]

**Slide: 22**

**Time: 3 Minutes**

**Assessing Entrepreneurship Capacity**

Community surveys and one-on-one interviews

- **Community surveys**
  - Existing programs
  - Community readiness for new programs
  - Leadership
  - Networks
- **One-on-one interviews with local entrepreneur**
  - Assess ambitions and needs
  - Identify regional constraints

The slide features a blue background with a small inset photo of two men in a meeting and a graphic of puzzle pieces at the bottom left.

**Instructions:**

This slide and the next explore ways to assess entrepreneurship capacity in order to define related strategies to support this type effort.

**Script:**

“Our next two slides focus on the assessment tools for identifying the community’s (or region’s) support for entrepreneurs. This slide focuses on qualitative measures that can be captured using community surveys and one-on-one interviews:

**Community surveys can solicit information on:**

- Existing programs
- Community readiness for new programs
- Leadership
- Networks

**Existing programs** might include programs that provide technical assistance to new entrepreneurs, for example business plan writing, financial literacy classes, a primer on tax law, etc.

**Community readiness:** RUPRI (The Rural Policy Research Institute) offers a series of surveys that are used to determine the community’s readiness for new programs based on the following six factors.

- Factor 1 – Openness to Entrepreneurship – Is the community open to exploring entrepreneurship as an economic development strategy?
- Factor 2 – Balancing Business Attraction – Does the community balance a traditional economic development approach with a focus on local businesses and on energizing entrepreneurs to create and build homegrown enterprises?
- Factor 3 – Entrepreneurship Programs – previously mentioned above
- Factor 4 – Willingness to Invest – You don’t need to have these programs but the community has to be willing to invest in them.
- Factor 5 – Leadership Team – Can your community create a team that will work on an entrepreneurial strategy?

- Factor 6 – Beyond Town Borders – is your community willing to create partnerships with other area communities to find the human and financial resources in order to be in the economic development game?

**Leadership:** Are the political leaders supportive of entrepreneurial behavior? Are there successful individuals that can serve as leaders or coaches for new, aspiring entrepreneurs?

**Networks:** Are there either formal or informal networks that support entrepreneurs? These could be networks that are created by regional universities or a weekly breakfast where entrepreneurs in the community can meet and discuss issues that arise and receive support from their peers.

**One-on-one interviews** with local entrepreneurs will allow you to know more about an entrepreneur's:

- Ambitions and needs – What do entrepreneurs hope to accomplish, both for their own business as well as in support of their community?
- Identified regional constraints – What do entrepreneurs perceive within the community as being barriers to starting a new business or growth?

***Additional Information:***

Source: <http://www.energizingentrepreneurs.org>

## Slide: 23

**Time:** 10 Minutes

**Worksheet:** Self-Employed Data Sheet



**Assessment for Entrepreneurship Capacity**

**Inventory of Entrepreneurship:**

- BEA-REIS data
- Census (non-employer statistics)
- County Business Patterns
- Panel Study on Entrepreneurial Dynamics
- Survey of Business Owners

**Capacity for New Entrepreneurs:**

- Educational attainment
- Immigration and diversity
- Financial resources
- Business resources

Sources: <http://www.bea.gov/regional/>, <http://www.census.gov/econ/sbo>  
<http://www.census.gov/epod/cbp/>, <http://www.psed.iar.umich.edu>

The slide features a blue background with white and yellow text. It includes icons for a calendar, a hand holding money, and a graduation cap. A puzzle piece graphic is visible at the bottom left.

### **Instructions:**

You should provide your team with some data that describes entrepreneurship in the region. The best indicator, although not ideal, is the self-employed statistics collected by the Census. The caveat here is that many “businesses” are included in this statistics for tax-filing purposes. If an individual claims that they own a business for tax deduction write-offs but they aren’t active, then this overstates the true number of entrepreneurs. In addition, there is nothing that states that these individuals are entrepreneurs in the true sense of the word. They might be small business owners but not be creating a “new product” as we noted in Slide 21.

### **Script:**

“No one data source identifies both current and future potential entrepreneurship in a region but there are some data sources that provide a quantitative measure of entrepreneurship in the region. These include:

- Bureau of Economic Analysis – Regional Economic Information System data
- Census (non-employer statistics)
- County Business Pattern data
- Panel Study on Entrepreneurial Dynamics
- Survey of Business Owners

We can also understand some about the capacity for new entrepreneurs by looking at the educational attainment, immigration and diversity, financial resources and business resources within the region.”

**Workbook:** Number of self-employed (proprietors) in the region. NOTE: These numbers are limited to nonfarm employers.

**Slide: 24**

**Time: 1 Minute**

### The Fourth Key to Economic Growth: Innovation

*"Innovation . . . the successful introduction of a new thing or method . . . Innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services"*

Luecke and Katz, 2003



**Instructions:**

Our fourth key to economic growth is innovation. This is central to the economic expansion of a region. We'll explore this concept further in the next two slides (Slides 23 & 24).

**Script:**

"Innovation is important to economic growth.

*'Innovation . . . is generally understood as the successful introduction of a new thing or method . . . Innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services.'*

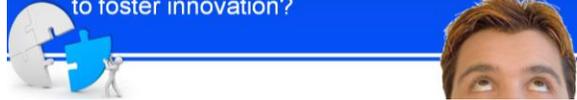
What region of the United States is thought to be home to the most innovative people and businesses? Some would say Silicon Valley. What was it about Silicon Valley that resulted in the growth and promotion of so many innovators? Are there other regions that you might identify as innovative? [Examples could be the Research Triangle in North Carolina, or Boston's Route 128 hi-tech corridor]. How can a region nurture innovation?"

**Slide: 25**

**Time: 2 Minutes**

### **Your Region's Capacity for Innovation**

- What are your region's most competitive Research & Development (R&D) assets?
- How effective are regional universities or community colleges at commercializing new ideas and innovations?
- What resources does your region offer to foster innovation?



**Instructions:**

You want to ask the group to explore the important elements of innovation, and discuss how innovation might differ across urban and rural areas. Furthermore, the assets needed to spur innovation may be quite different depending upon the location of the region. Be prepared to encourage the group to discuss the important questions that are posed in this slide.

**Script:**

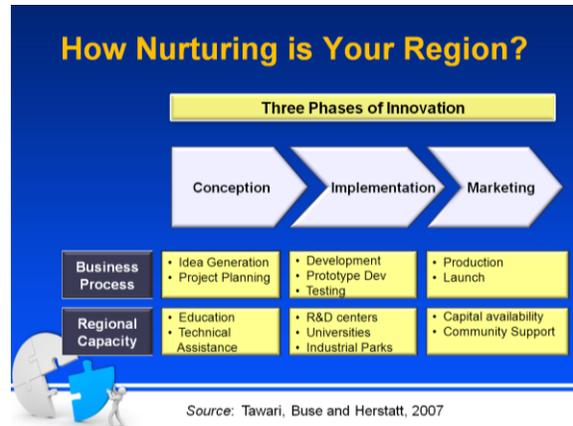
“How would you describe innovation in a rural region? How does it differ from an urban area? Who are your innovators in the region? They can be companies or people. What makes them innovators? What makes them successful?”

Innovation is not a skill that is easily taught. Most individuals who are innovators or work as new product developers for companies were likely born with the ability to think outside of the box. Thus, it is hard to foster innovative thinking per se. However, a region can support innovation at the point of the conception of the idea as well as beyond the conception with such resources as marketing, product development, financing, and so on.

What is your region's current capacity for innovation? Are there Research & Development assets? Are there relationships with regional universities or community colleges that can help individuals create prototypes? What additional resources does the region offer to foster innovation?" [Allow for discussion].

**Slide: 26**

**Time: 2 Minutes**



**Instructions:**

The diagram on this slide illustrates some of the potential points where a region can help nurture the growth of innovation.

**Script:**

“In general, there are three phases of innovation: *conception, implementation* and *marketing*. Furthermore, there is both a ‘business’ side and ‘regional capacity’ side associated with each of these three phases. Some of the core elements that are associated with the business process and regional capacity are presented under the three categories of conception, implementation in our slide. For example, a business at the conception stage may have a good idea and a plan on how to get the project off the ground, but having access to educational resources and technical assistance can really strengthen both the innovator’s concept and plan. Arthur Fry, the Post-it inventor we discussed earlier, was a chemical engineering major in college and the skills he learned in his classes allowed him to conceptualize the possibility of creating something like the Post-it note.

During implementation, the region can provide resources such as R&D centers, universities, and industrial parks to help the business aspects of the innovation. Even businesses like 3M that have a ‘New Product Development’ sector of the company can provide assistance to innovators in the development of their prototype.

The last phase of innovation – marketing – is usually the most critical, particularly in rural regions. For individuals who believe they have an excellent new product, the reality is that they may need capital and/or financing to produce the goods. In rural regions, this often proves to be a barrier to the development of a potentially successful innovative product. Sometimes, it’s possible that the product might not be successful, but this is where the support of a region can be so important. If the product is successful, then the innovation will likely result in economic growth, such as job expansion and improved incomes. But the region should be ready to stand behind the innovator if the product is a flop. After all, today’s flop might be tomorrow’s Post-it. Innovators tend to be serial innovators. They aren’t satisfied with just one innovation. Thus, the region should not stifle the creativity of innovators because of an unsuccessful venture. Rather, they should applaud this individual for being a risk taker.”

**Slide: 27**

**Time: 2 Minutes**

### The Creative Class

Term popularized by Richard Florida in his 2002 book "Rise of the Creative Class."

- Identified class of "creative" occupations that should be attracted and retained
- Defined as "developing, designing or creating new applications, ideas, relationships, systems, or products, including artistic contributions"
- This class is thought of as "footloose" and attracted to high amenity places



**Instructions:**

One economic development strategy that is getting considerable attention in some communities and regions is an effort to attract creative people to their localities. We want to spend the next few slides alerting participants to this approach to growing their regional economy.

**Script:**

"The creative class is a term popularized by Dr. Richard Florida (U. of Toronto) in his 2002 'Rise of the Creative Class.' Here is what Florida had to say about the creative class:

*It is an identified class of 'creative' occupations that should be attracted and retained. The creative class includes: scientists, engineers, professors, poets, novelists, artists, entertainers, actors, designers, architects, writers, researchers and professionals in the high-tech and financial, legal, business and medical service sectors*

In the past it has been primarily examined in an urban context. Rarely has it been given much attention in more rural counties or parishes such as those that are part of the SET program.

These individuals are defined as 'developing, designing, or creating new applications, ideas, relationships, systems, or products, including artistic contributions.' If you think about it, we are referring to 'innovators,' a topic we discussed earlier in this module. In this case, we are talking of a specific type of innovator – those who are part of the creative class, a group that has a tendency to develop and launch new projects or services.

The one aspect of the creative class is that they are thought of as 'footloose' and attracted to high amenity places."

**Slide: 28**

**Time: 2 Minutes**

### Why the Creative Class?

- The density of creative class has a **positive effect** on job growth both in the 'creative' and 'non-creative' sectors.
- Creative capital and entrepreneurship work in **synergy** with one another to increase employment opportunities in both sectors.



**Instructions:**

We want the participants to give some thought as to why a focus on the “creative class” might make sense to their region.

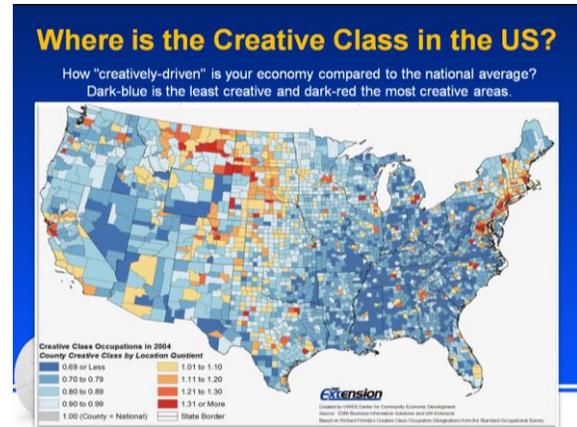
**Script:**

“Is attracting the creative class a good economic development strategy for your region? Why is a good or bad strategy, in your view?”

What past studies have shown is that the density of creative class has a positive effect on job growth, both in the creative and non-creative sectors of your community/region. Furthermore, creative capital and entrepreneurship work in *synergy* with one another to increase employment opportunities in both sectors.”

**Slide: 29**

**Time: 2 Minutes**



**Instructions:**

Show this map and explain to the participants how to interpret the information it showcases.

**Script:**

“Where is the creative class in the country? Not surprising, there are red areas in parts of California, the Northwest and the Northeast. However, what about Montana? Why is there such a large share of the creative class in a non-urbanized state like Montana?”

We could explain this by suggesting that because the creative class is footloose, they can travel anywhere with rich amenities are in place. Montana is known for its beauty and for its quiet setting. So, it is possible to attract the creative class to a rural region if you effective focus on the type of interests and needs of the creative class.

What does your region look like? Is it more Blue or Red?”

**Slide: 30**

**Time: 2 Minutes**

**Fifth Key to Economic Growth:  
Clusters or Branding**

- **Cluster** – making the whole greater than the sum of the parts
- **Branding** – consolidate the essential characteristics of the individual identity into a brand core



**Instructions:**

This slide begins a discussion of the fifth (and final) key to economic growth: clusters or branding. This is the first time that you will be introducing participants to the concept of clusters. When you show this slide, ask the group to identify the clusters and branding that they believe characterize their region. Jot the information on a flip chart. You will return to the flip chart at a latter point in this module.

**Script:**

“The final key to the puzzle in our discussion of economic growth is creating and sustaining a cluster (or multiple clusters) and/or the branding of a region.

A **cluster** is a geographic concentration of interrelated competitive firms and institutions with sufficient established or prospective scale to generate external economies. . . making the whole greater than the sum of the parts.

**Branding** for a region does not merely consist of attaching new labels, but consolidates the essential characteristics of the individual identity into a brand core. For example, the western part of North Carolina has become branded as a haven for artisans and craftsman as a result of the growth of Handmade in America.

Given these definitions, do you think your region is known for a particular cluster or brand? If so, what are they? It’s possible you have multiple clusters at different stages of development.”

**Slide: 31**

**Time: 3 Minutes**

### Industry Cluster Analysis

- A type of analysis that views firms, and therefore, industries, as interdependent, not isolated
- Value chains
- A collection of businesses producing similar output



#### **Instructions:**

This slide begins exploring the meaning of clusters by honing in on industry cluster analysis.

#### **Script:**

“What is cluster analysis and why should we use it?”

Cluster analysis is a type of assessment that views firms, and therefore, industries, as interdependent, not isolated. This should make intuitive sense since we know that firms locate near other firms with which they interact or compete.

Clusters can be value chains – activities for a firm that is operating in a specific industry. Michael Porter notes that products pass through all activities of the chain in order. At each activity, the product gains some value. It typically begins with some type of raw materials and goes through various activities to produce a product that is sought by certain end-users. An important goal is to deliver maximum value at the lowest possible total cost.

Clusters also can be a collection of businesses producing similar output.

For example: gas stations tend to locate at different sides of the same intersection (competing firms). Or software companies locate in the Northwest section of the United States because they share the same labor pool even though the software companies are technically competing with each other. Think of how many times you see retail drug stores located near one another (such as Walgreen and CVS).

An example of a value chain cluster is when glass and tire companies tend to locate close to automobile plants to minimize transportation costs when the automobile companies purchase their inputs regionally.”

**Slide: 32**

**Time: 2 Minutes**



***Instructions:***

This slide explains, in general terms, the value of conducting regional cluster analyses, as they can identify gaps, or can offer insights on clusters that may be facing a downturn or ones that may be on the upswing, thus pointing to opportunities for new economic growth in the region.

***Script:***

“What can a regional cluster analysis tell us?”

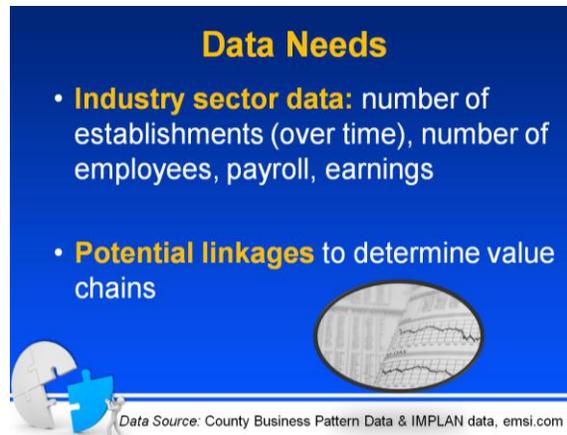
First of all, it can delineate were we may have gaps. Are there parts of the value chain that might be missing? What if we saw that there was a Honda manufacturer that was importing its tires from a company located 2,000 miles away? This would represent a gap. Starting a new enterprise or attracting a tire manufacturer to the region would minimize the transportation costs and strengthen the automobile manufacturing cluster.

Second, it can tell us about growing industries/clusters. Are there high growth sectors that have gone undetected or that deserve additional attention in the region?

Third, it can provide insights on declining industries/clusters. While clusters exist, this does not necessarily suggest that they are optimal. Should a region start moving away from investing in a cluster? In some regions, some firms are declining due to global competition. Does it make sense to invest in industries whose long-term prospects for survival are questionable?”

**Slide: 33**

**Time: 4 Minutes**



**Data Needs**

- **Industry sector data:** number of establishments (over time), number of employees, payroll, earnings
- **Potential linkages** to determine value chains

Data Source: County Business Pattern Data & IMPLAN data, emsi.com

**Instructions:**

Conducting a cluster analysis requires data. This slide begins to explain how the process works.

**Script:**

“How do we detect clusters? There are several methods that can be used to determine if clusters exist in a region. Each method relies on the careful collection and analysis of data.

We typically start by collecting industry sector data. The most basic information we can collect is the number of establishments within a particular industry, the number of employees, the size of the payroll and earnings. All of this information is potentially available free of charge on the Internet or government sources.

Unfortunately, some of these data are not available due to confidentiality (or disclosure) issues, especially in smaller populated regions. For instance, industry information is not disclosed due to the ability to identify company specifics if the company is the only business within that industry in the region. As an alternative, we can use Woods and Poole data. The data provided by Woods and Poole are estimates, so it’s important to fact check the data.

[NOTE: You may want to remind participants of the guidelines offered in Module Six regarding what to look for when using secondary data, such as that represented by the Woods and Poole information.]

Finally, if an organization has a subscription to Dun and Bradstreet data, they can tap information on any individual firm in the region.

In addition, we can need to identify potential linkages to determine value chains within a cluster. Oftentimes, we use IMPLAN data or information available from EMSI (see emsi.com). IMPLAN estimates a relationship between outputs and the needed inputs, what we refer to as a production function. The production function is based on national averages.

For example, if we imagined that an automobile manufacturer was similar to the national average, we can estimate the level of inputs necessary to create their current level of output. We would know the approximate amount of tires, glass, accountants, etc. that would be required to produce cars. Again,

these data need to be truth-tested because it's possible a particular industry does not fit the mold of the national average. So, it's important to talk to the businesses in the region to understand what their production function looks like."

***Additional Information:***

County Business Pattern Data: <http://www.census.gov/econ/cbp/index.html>

Woods and Poole Economics (useful for rural regions): <http://www.woodsandpoole.com/index.php>

IMPLAN Economic Modeling: <http://implan.com/V4/Index.php>

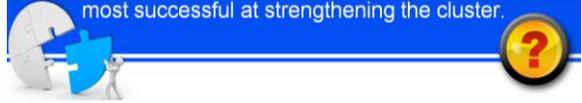
EMSI (Economic Modeling Specialists, Inc.): <http://www.economicmodeling.com>

**Slide: 34**

**Time: 2 Minutes**

### You Think There is a Regional Cluster, So Now What?

- Map the cluster by identifying the industries that make up the cluster.
- Determine if the cluster is growing or declining.
- Determine your regional capacity to supply the necessary industries/products.
- Identify potential leakages and/or opportunities for new enterprises.
- Determine which economic strategy(ies) might be most successful at strengthening the cluster.



#### **Instructions:**

Ask the group to once again identify the clusters they think exist in the region. While they offered their thoughts about this subject earlier, we want to see if their ideas have changed in light of the information that has been shared with them up to this point. Then follow up the group discussion of how to proceed once they believe a regional cluster exists.

#### **Script:**

“Let’s review what you identified as clusters earlier. Now that we’ve given you a bit more information about clusters, have you changed your mind on what clusters exist in the region? If so, in what way? [Seek input from the participants.]

An important question still remains: ‘What next?’ The steps outlined on this slide are intended to guide you through the analysis of data that can be used to detect the possible existence of one or more clusters in your region, and then to explore some potentially useful regional strategies that are intended to build on the cluster(s).

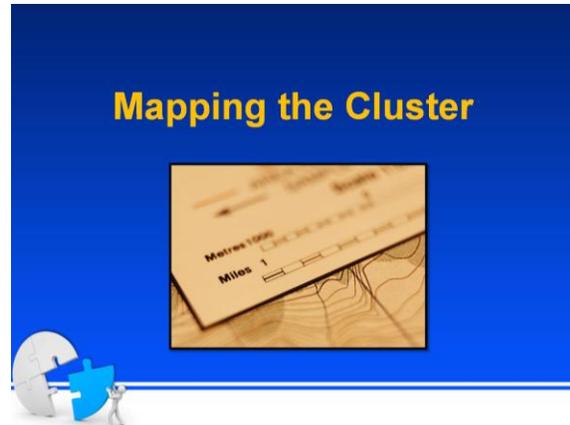
We recommend that you:

- Map the cluster by identifying the industries that make up the cluster.
- Next, determine if the cluster is growing or declining.
- Then, determine if you have the regional capacity to supply the necessary industries/products.
- After that, identify potential leakages and/or opportunities that might exist for the launching of new enterprises.
- Then determine which economic strategy(ies) might be most successful at strengthening the cluster.

We will devote time over the next few slides to develop a deeper understanding of the process for mapping the cluster(s) in your region.”

**Slide: 35**

**Time: 1 Minute**



***Instructions:***

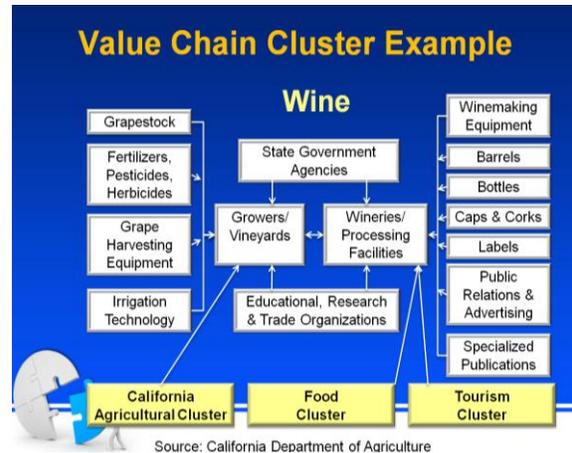
This section explores different approaches to mapping clusters. Help participants to give consideration to the use of these strategies within their own region.

***Script:***

“We’re going to go through the step-by-step process of mapping the cluster(s) in your region. First of all, there are a variety of ways to do this, but we’ll show you just a few examples.”

**Slide: 36**

**Time: 2 Minutes**



**Instructions:**

This slide explores one of the ways to map a cluster, using wine as an example. Walk the participants through this example, ensuring that they see how many potential organizations are interconnected in the process.

**Script:**

“This is an example of a value chain for the manufacturing of wine. It is based on two large industries (growers and wineries). There are specific inputs that vital to each of these two industries.

To grow grapes, a producer needs grape stock, fertilizers, grape harvesting equipment and irrigation technology.

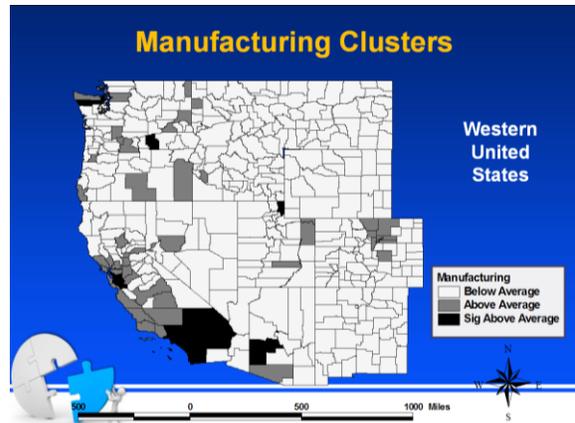
To produce wine, a winery needs winemaking equipment, barrels, bottles, caps and corks, labels, public relations and advertising, and specialized publications, such as trade journals.

In addition, the cluster is supported by state government agencies such as the Select Committee on Wine Production & Economy in California, as well as Educational, Research and Trade Organizations (e.g. Wine Institute, UC Davis, Culinary Institutes)

By mapping the cluster, we can visualize all of the components that go into making wine. However, there isn't necessarily just one cluster here. There is the potential for the wine industry to also play a part of the California agriculture cluster, the food cluster and of course, the tourism cluster.”

**Slide: 37**

**Time: 1 Minute**



***Instructions:***

This slide shows a different type of cluster map focusing on manufacturing.

***Script:***

“Here is another way to look at a cluster. This process was based on statistical analysis that determined where manufacturing clusters existed based on the number of firms, number of workers, value of output, population, education, and proximity to other similar firms.

These manufacturing clusters are based on competing firms within an industry and not on a value chain analysis.”

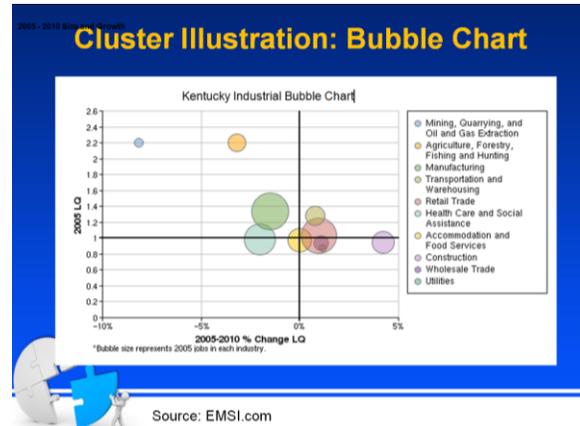
***Additional Information:***

Source: Davis, Alison and Thomas R. Harris. (2006). Exploring firm location beyond simple growth models: A double hurdle application. Journal of Regional Analysis and Policy.

<http://www.jrap-journal.org/pastvolumes/2000/v36/F36-1-4.pdf>

**Slide: 38**

**Time: 6 Minutes**



**Instructions:**

This slide is the last example we provide on a cluster. It portrays a cluster using a bubble chart.

**Script:**

“Finally, this is another way to map clusters. By looking at location quotients, the change in location quotients, and the number of jobs in the industry, we might be able to identify some potential clusters.

Let’s first define location quotient. The location quotient is often used to measure the relative concentration of a particular industry in some base location. In many instances, the base location is the United States, while at other times, it’s the state where the analysis is being completed.

Let’s briefly explain how to calculate a location quotient. First of all, a location quotient seeks to determine how your region’s industries stack up relative to the geographic area you are using as your comparison – such as the state or nation. Shield’s (2003:2) states that:

“The location quotient helps you identify those local industries that are producing more than is needed for local use and selling outside the region (exporting) and those that are not meeting local needs and are a source of consumption leakage (importing).”

Calculating the location quotient for a particular industry is very straightforward. You begin by determining what proportion of the region’s workforce is employed in a specific industry. You then determine the percentage of the workforce employed in that same industry for your reference area’s workforce (for example, your state or in the nation). Next, you calculate the ratio between your region and the reference unit (with regard to the industry you are examining). Here’s an example: Let’s assume you found out that the percent of your region’s workforce employed in the manufacturing sector is 25%. You then determine that the national figure of workers employed in the manufacturing industry is 18%. The location quotient for your region is 25% divided by 18% = 1.39.

If the location quotient is greater than 1, this suggests that the area is concentrated in that industry. It also assumes that this sector is exporting their goods and/or services to areas outside of the region. If the location quotient is less than 1, this implies that the area is below average in terms of its concentration in a given industry.

While a useful beginning tool, the location quotient measure does not offer any insights on what you should do, only that a specific cluster might exist in your state (or region). Just because a location quotient is greater than 1, this does not imply that the region should invest more in this sector. Nor should we abandon a given sector if the quotient has a value of less than 1. It's important to look at the changes taking place in the location quotient over time. If it's increasing, then its possible this could constitute an emerging cluster. If it's declining, then it could be an indication of an industry that we might want to consider staying away from or one in which the investment of additional may not be worthwhile.

This slide details the relative concentration of several industries in Kentucky compared to the rest of the nation. Many of the industries are on par with national averages, such as health care, accommodation and food services, retail and wholesale trade. Industries that have a relative high concentration include agriculture, manufacturing, and mining but these two industries have declined over the last five years. The sectors in Kentucky that employ the largest number of workers are manufacturing and retail.

Given the bubbles in this illustration, which industry might Kentucky avoid investing in for the future? The answers might be mining. While the location quotient is high, the location quotient has declined over the years. In addition, this industry does not support a lot of jobs. What are some viable options? Transportation and warehousing and maybe construction (based on growth, not LQ).

It's also possible to map the bubble charts in other ways by looking at the quality of the job measured by average earnings and job growth."

***Additional Information:***

Source: EMSI.com (Kentucky data)

**Slide: 39**

**Time: 4 Minutes**

### Identify Potential Leakages and Business Opportunities

- Determine the industries that make up the cluster.
- Assess the current regional capacity for industry production.
- Characterize the potential of each industry as saturated, potential expansion, zero potential.
- Characterize the future growth of industry as stable, high-growth, or declining.
- Determine the types of skills needed to create these businesses.



**Instructions:**

This slide discusses the next step in a cluster analysis. Now that the mapping of a cluster is complete, the next logical step is to look for leakages and opportunities that could help foster additional growth within the existing cluster.

**Script:**

“Our next step is to identify potential leakages and business opportunities associated with your regional cluster(s). Leakages occur when money leaves the region. They are most often categorized as imports. For example, if the region is importing glass windshields from six states away, this is considered a leakage. The dollars it is using to pay for the windshields are leaving the region and not returning.

To determine leakages and business opportunities, we first must identify the industries that make up the cluster.

Then, we need to figure out what the current regional capacity for production is for those industries that make up the cluster.

We then determine if the regional industry is saturated, if there is room for expansion, or if there is zero potential for production.

In addition, it’s important to characterize the future growth of the industry – stable, high-growth, or declining – using location quotients or other tools like changes in employment, sales and/or establishments.

Finally, we have to determine the types of skills that are needed to create these new enterprises or workers that will be needed if a firm relocates to the area. It’s possible to match up the required skill set with the current set of skills in the workforce to see if they are compatible.

An example of how to start this process is presented in the next slide,”

**Slide: 40**

**Time: 8 Minutes**



**Instructions:**

The first example of a cluster was of the wine industry. We want to explore this specific industry a bit further in this slide.

**Script:**

“Let’s imagine that we have a potential wine cluster in our region. By mapping the inputs that are used in making wine, we can see the potential for the cluster. For ease of discussion, let’s assume that there are only six items used in the production of wine: grapes, irrigation system, fertilizer, advertising, research and labels. Each box represents the amount of the input, larger boxes suggest larger dollar value of inputs needed to produce wine. The shading of the circle lets us know the percentage of the needed input that is available regionally. For example, 100% of the grapes currently needed to produce wine are available regionally. On the other hand, only a small percentage of the labels are available regionally. There are currently no manufacturers of irrigation systems or regional advertisers. Just by glancing at this illustration, what might be the ‘easiest’ leak to plug using the existing resources in the region?”

As a result of this process, we can examine the potential growth of each of these input industries and the associated job skills that are needed to support these industries. In addition, the region has to decide if these are the types of industries and jobs that are deemed desirable for the area. It’s possible something like coal mining might be quite lucrative as coal and energy serves as an input into nearly every good. However, the region might decide that is not an industry that it wants to invest in or see expanded in their area.

Returning to our example, in most instances, public relations and grapes would probably be the first sectors to target. Winemaking equipment likely requires capital accumulation, expertise in engineering, an assembly line, etc. We wouldn’t likely focus on label manufacturing unless it appears that the current production of labels is being exported and the needs for labels by wineries is not being met regionally. Public relations and advertising would be an obvious sector to target because it is labor intensive and a service-based business. Expanding the grape production is another possibility, but the real potential depends on land availability and the types of grapes needed. Furthermore, some grapes may not be available regionally.”

**Slide: 41**

**Time: 30 Minutes**

**Worksheet: Data on Regional Clusters**



***Instructions:***

Now that you've introduced key information on clusters to your group, you will provide data that might offer them some clues on current or emerging clusters in their region. Distribute the data that has been provided to you by the Southern Rural Development Center, one of the other Regional Rural Development Centers, and/or by your state land-grant university representative. Walk the group through the cluster reports and help them interpret what the information is saying in terms of the possible presence of clusters in the region. Ask them to get into small teams of 5-6 individuals and ask each of these groups to discuss the data and to jot down some of their key observations. After the small teams have had a chance to study the data, ask the different teams to briefly share their thoughts about the cluster data.

***Script:***

"Now that I shared some of the important keys of determining the presence of clusters in a region, I want to provide you with some valuable information regarding the possible presence of certain clusters in your region. Take a look at the cluster data that we've prepared on your region. Break out into small teams of 5-6 people and as a small group; discuss what you find of interest in the data. Are some of the results pretty much what you had expected or are there other current or emerging clusters that are surprising to you? Jot down some of the important observations regarding the data that your team wants to share with the entire group. I'll ask you to share your main insights in about 30 minutes.

Time: 30-45 minutes to examine specific data on the region and to report to the entire group each of the small groups' observations regarding the cluster data.

**Slide: 42**

**Time: 2 Minutes**

**Possible Economic Development  
Strategies to Strengthen a  
Cluster or Brand**

- Targeted attraction of industry
- Business retention and expansion
- New firm creation/entrepreneurship
- Attracting the creative class
- Network development and meta-business creation



**Instructions:**

The next step is to identify possible strategies to strengthen the cluster or brand. Some examples are discussed in this slide.

**Script:**

“Now that we may have identified a few possible business opportunities that might strengthen the cluster, the question remains how best to go about getting that business.

There are five strategies that we want to focus on. Depending on the industry, some strategies might be more suitable than others. The five strategies are:

- Targeted attraction of industry
- Business retention and expansion
- New firm creation/entrepreneurship
- Attracting the creative class
- Network development and meta-business creation

We want to go through each of these strategies in the next series of slides.”

**Slide: 43**

**Time: 2 Minutes**

**Targeted Attraction of Industry**

- *Past Approach:* Blindly attracting industry
- *Now:* Targeting businesses within identify industries identified as likely to be successful in the region
- **Strategies** for identifying potential successes:
  - Cluster Mapping
  - Location Models
  - Community Business Matching Model

The slide features a blue background with a white puzzle piece graphic at the bottom left and a circular image of a globe at the bottom right.

**Instructions:**

Help participants understand that, while a region may still target an industry through cluster analysis, it should not be driven by a “blind” attraction to any industry out there. Rather, the team’s efforts should be focused and have a specific purpose in mind.

**Script:**

“Simply put, blindly attracting industry is a strategy of the past, particularly for rural areas. The days of luring businesses in rural regions with the promises of tax incentives are history. Too many times in the past, businesses would enter the region, accept the incentives, and after a short period of time in the region, pick up and move to some other location, leaving the area more devastated than it was before their arrival.

Now, there has been a movement to identify potential industries that might be successful in the region and then target businesses that are linked within that industry. These industries can be selected based on their workforce demands, infrastructure needs, education priorities and/or community/regional support. There have been numerous models used over the past 5 to 10 years that have been effective and thriving in getting new businesses to move into a region. Aside from the cluster mapping we’ve discussed already, we want to give consideration to different types of location models as well.

Location models looks at the probability of a firm within a particular industry moving into an area based on the qualities of the region and the existing businesses that are operating in the region. What is often useful about this method is that it provides communities with a list of attributes that they need to strengthen before inviting particular industries to operate in the region.

Each of these models is based on statistical analysis. And each of these models is based on the current infrastructure and support of the community. Neither is based solely on available land or tax incentives.

Community business matching models is a comprehensive location model. It looks at the needs of businesses (including their preferences in terms of the type of communities in which they are interested), and matches their desires and needs to that of the community, suggesting possible industries that might be successful in the region, where there is good ‘fit.’ The information used is

based on business surveys of business needs and a year-long community discussion about what the community desires regarding businesses.

***Additional Information:***

For more detailed information on these approaches, see *Targeting Regional Economic Development*, a book edited by Stephan J. Goetz, Steven C. Deller, and Thomas R. Harris (2009). It is available from Routledge.

**Slide: 44**

**Time: 2 Minutes**

### Location Models

- Have you ever heard someone say:  
"We are working on attracting \_\_\_\_\_  
(some large manufacturer) to our rural region" ?
- There are models that employ place specific data that identify the probability of certain types of industries locating in a particular area.



**Instructions:**

The next few slides discuss models that have been used by communities to determine industries that might be successful in particular areas. These models are attraction models, meaning we are identifying industries to invite to the region. BUT, these are not blind attraction strategies, meaning we'll take anything we can get. By using data that measure the resources, skill levels of workers, and other amenities, it is possible to find industries (by size) that might work best in the region.

**Script:**

"Have you ever heard someone say, *"We are working on attracting \_\_\_\_\_ (some large manufacturer) to our rural region"*?"

Has this type of strategy been successful? What has worked and what hasn't worked?

Was research ever done beforehand that would determine the likelihood of success for this type of industry in the region?

There are models that employ place specific data that identify the probability of certain types of industries locating in a particular area. So it's worthwhile to spend time studying these data."

**Slide: 45**

**Time: 2 Minutes**



**Location Models**

By examining demographic and economic trends:

- We may identify certain industries that we will have limited success in attracting to the region

**...AND THAT'S OKAY!**

- We can also find industries and businesses that will work well in your region.

Source: Targeting Regional Economic Development, 2009

***Instructions:***

Continue the discussion of location models, highlighting the information presented in this slide.

***Script:***

“By examining demographic and economic trends, it is possible to identify certain industries that we will have limited success in attracting to the region given the current set of resources we have. . . AND THAT’S OKAY!

We can also find industries and businesses that will work well in your region. If the regional team is interested in pursuing this strategy, there are researchers that we can identify who can help us go through this process.”

**Slide: 46**

**Time: 2 Minutes**



**Instructions:**

Here is description of the Community Business Matching Model. CBM is a type of a location model. It has been used by communities, peer-reviewed and received awards from economic development agencies for its comprehensive approach to matching community desires and business needs.

**Script:**

CBM is a tool that walks a community through a year long process to determine what types of industry they would prefer to locate in the region. The community weighs the economic, social and environmental impacts of industry and as a community determines how they prioritize these impacts. For communities that consider environmental issues over economic and social would never target an industry that might have a negative impact on the environment. Communities that consider economic issues to be the most important might weigh social and environmental impacts less.

At the same time businesses have been surveyed about the amenities they are seeking when making location decisions. These amenities could include a skilled labor force, broadband, access to transportation, high quality education, recreational opportunities, etc.

In the end, the region has two measures: *desirability* measures help determine how likely a business is to meet the goals of the community while the *compatibility* measures help to assess the likelihood that the business will locate in the community or how well the community's assets meet the demands of the business. By simultaneously solving for desirability and compatibility, the community can more effectively target desired business."

**Slide: 47**

**Time: 1 Minute**

## **Business Retention and Expansion**

- Focuses on keeping existing businesses
- Helps existing businesses grow and add jobs
- Includes all efforts to help insure the survival and growth of a community's existing businesses



***Instructions:***

A local economic development strategy that often gets overlooked is Business Retention and Expansion (or BR&E for short). We want to spend a few minutes in the next two slides outlining some of the important components of the BR&E process.

***Script:***

“A second strategy is to organize a business retention and expansion effort. BR&E focuses on keeping the businesses that already exist in a region. The process also helps existing businesses grow and add jobs. Overall, it includes all efforts to help insure the survival and growth of existing businesses in region.”

**Slide: 48**

**Time: 2 Minutes**

### How to Approach Business Retention & Expansion

#### Community-Based Business Visitation

- Planning Phase
- Action Phase
  - Recruit volunteer visitors
  - Visit and survey local businesses
- Follow-up
  - Respond to "Red Flags"
  - Prepare and present report
  - Plan for future
  - Follow-up is most important!

**Instructions:**

This slide outlines the basic steps in a typical business retention & expansion strategy.

**Script:**

“Most often, BR&E is done using a community-based visitation program. A local group, such as the Chamber of Commerce, might find a local sponsor to implement the program. Often a group of local volunteers form a BR&E committee. These individuals visit and survey local businesses by asking them to identify strengths and weaknesses of the city, county and regional services and the business owners’ predictions with regard to the future prospects of their businesses. That is, do they see their businesses growing? Are there new opportunities they would like to explore? Or are their local impediments that are preventing them from expanding?”

The most important part of the BR&E process is the follow-up. First, the community/region must be able to respond to red flags. If during an interview a particular business says, ‘we might have to shut down in the next six months’, then the group must respond to this immediately by trying to determine what the community/region can do to prevent this business from closing. It could range from infrastructure needs, workforce demands, to cost reductions. But it’s important that there is follow-up if red flags are identified.

In addition, other needs, opportunities, and challenges might present themselves once all responses are gathered together. The group would then discuss strategies that would promote these local businesses. Ideally, implementation would start soon after that point.”

**Slide: 49**

**Time: 2 Minutes**



**Advantages of BR&E**

- Lets businesses know they are valued
- Can help solve local business issues
- Community awareness and involvement
- Can connect businesses to other community resources
- Coalition of community organizations
- Can keep or add jobs

**Instructions:**

Use this slide to help participants understand the potential value of a BR&E program.

**Script:**

“There are numerous advantages of completing a BR&E program.

- It lets businesses know they are valued
- It can help solve local business issues
- It improves community awareness and involvement
- It can connect businesses to other community resources
- It can be useful in creating a coalition of community organizations
- Finally, it is important for keeping or adding jobs.

In terms of cluster analysis and plugging leaks, it is a useful tool for talking to businesses that might be willing to expand services or production by focusing on one of the identified leaks.

Has anyone ever completed a BR&E study? It is something we would recommend be done regardless of what aspects of the SET program you plan to pursue.”

**Slide: 50**

**Time: 2 Minutes**

### Regional Strategies to Increase Entrepreneurism

- Community-based training options
  - Weekend boot camps
  - FASTRAC or other 13 week programs
  - Short-term targeted business training
- Access to business coaching
- Youth entrepreneurship: 4H, Scouts, in-school programs



**Instructions:**

Related to the earlier discussion on the importance of entrepreneurship, regions can specifically choose strategies to support this important element of economic growth.

**Script:**

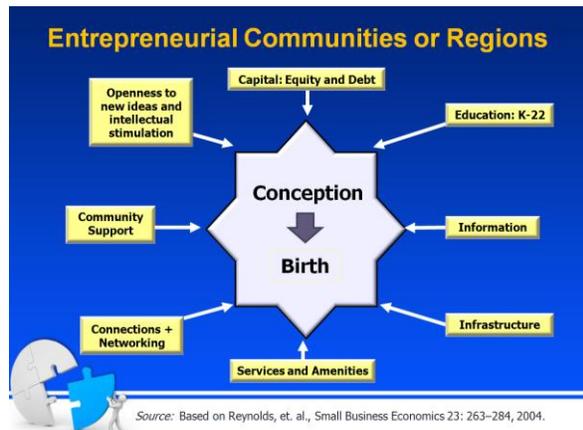
“Promoting Entrepreneurship is our third strategy for closing the gaps and strengthening regional clusters. Is there a way to identify individuals who might be able to initiate possible enterprises that fit into the cluster? Was anyone interviewed during the individual asset mapping process that might have the skills and the drive to go forward with any of the endeavors that would support the cluster? If so, how can the region provide support?”

There are community based training options such as weekend boot camps, FASTRAC which is a multi-week training program. Or are there available business coaches in the region willing to work with prospective entrepreneurs?

What other types of programs existing in the region are intended to support entrepreneurs? Are there youth entrepreneurship programs in the schools, through 4-H, or the Girl and Boy Scouts program?”

**Slide: 51**

**Time: 2 Minutes**



**Instructions:**

A number of key components can influence the success or failure of an entrepreneurial effort. This diagram illustrates a number of arenas that regions can use to help shore up entrepreneurial initiatives.

**Script:**

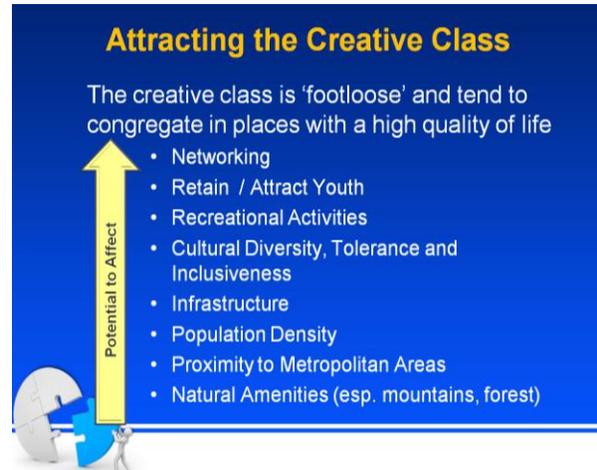
“What does an entrepreneurial community (or region) look like? This diagram illustrates the type of supports that a community/region can provide – from conception to birth – for entrepreneurs. It can range from just being open to new ideas and providing connections and networks for entrepreneurs, to providing the basic services, infrastructure, information and education throughout the entire process.”

## Slide: 52

### Time: 4 Minutes (25 Minutes

- if the exercise on the creative class is used during the session)

### Worksheet: The Creative Class Exercise & Creative, Working, & Service Class Data Sheet



**Attracting the Creative Class**

The creative class is 'footloose' and tend to congregate in places with a high quality of life

Potential to Affect

- Networking
- Retain / Attract Youth
- Recreational Activities
- Cultural Diversity, Tolerance and Inclusiveness
- Infrastructure
- Population Density
- Proximity to Metropolitan Areas
- Natural Amenities (esp. mountains, forest)

#### **Instruction:**

This slide explores a fourth strategy, one that focuses on the importance of attracting and retaining innovators that are part of the creative class.

If the region thinks that the creative class is a strategy they should focus on, there is an optional handout and data sheet that measures the creative class in the region. The team will be responsible for carefully analyzing the data. By doing so, they will have an opportunity to gain a better understanding for the region's relative strengths in attracting creative class workers to the region. This exercise has the members of the team map out the occupations in the region. There will likely be an extensive discussion as individuals are given the opportunity to share their interpretations of the exercise and data results.

#### **Script:**

"How can we attract the creative class? Here are some possibilities...

- *Networking*: The art of interacting with groups with similar interests. The networking can be face-to-face or through social media. Either way it improves communications and improves access to new ideas and conversations.
- *Retaining / Attracting Youth*: So many times we hear 'the key to success is retaining and attracting youth.' The youth are the future for the region. They create new families, new jobs, and new opportunities.
- *Recreational Activities*: Areas with a vast selection of recreational activities tend to be associated with residents having a higher quality of life. Access to sports, arts, and cultural activities provides opportunities for meeting new people, staying healthy, and learning.
- *Cultural Diversity, Tolerance and Inclusiveness*: The creative class are often characterized as being inclusive of all people. We often find that areas that are considered more tolerant of other cultures, ethnicities, and races will also be home to individuals with higher levels of education, income and economic opportunities.
- *Infrastructure*: Physical infrastructure, that might include water and sewer lines, broadband coverage, roads, is necessary to attracting residents who might be interested in telecommuting, starting a new business, communicating with friends and family as well as businesses who require a sophisticated road network for logistics and broadband for communications.

- *Population Density*: This is important for many, but not creative workers. Areas that are dense with population typically are alive and 'buzzing'. A denser population suggests that all of the above characteristics are being met. Thinking about our big cities like New York and Chicago, this is the case. However, some of the creative class prefer the serenity of the outlying rural areas. What do you think?
- *Proximity to Metropolitan Areas*: Maybe we can think about this further in terms of not necessarily living in a city but at least being close to a city. How do we define close? 30 minutes or a five hour drive? What's important? The creative class needs to have access to a market? It could be a musician needing to find gigs, an artist trying to find a studio, or an architect needing customers. Regardless, distance will likely matter, particularly with service based professions.
- *Natural Amenities* (especially mountains, forest, water): It is the natural amenities that drive individuals and families to many rural areas. Preserving these amenities should be a priority if we are interested in attracting the creative class."

**Slide: 53**

**Time: 1 Minute**

## Network Development

**Business Network Development:** A formal or informal collaboration or cooperation among either competing firms or firms that are part of a value chain for the purpose of creating a net benefit for all involved



***Instructions:***

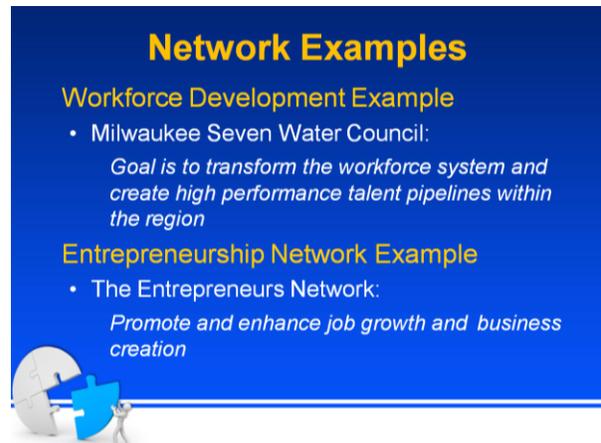
This slide presents the final economic development strategy that we want to discuss, namely, the forming of business networks.

***Script:***

“The final strategy we want to consider is network development and meta-business creation. These strategies focus on local people and local businesses. A business network is a formal or informal collaboration or cooperation among either competing firms or firms that are part of a value chain for the purpose of creating a net benefit for all involved. These networks can also include non-businesses such as government agencies, non-profits, etc.”

**Slide: 54**

**Time: 2 Minutes**



## Network Examples

### Workforce Development Example

- Milwaukee Seven Water Council:  
*Goal is to transform the workforce system and create high performance talent pipelines within the region*

### Entrepreneurship Network Example

- The Entrepreneurs Network:  
*Promote and enhance job growth and business creation*

***Instructions:***

A couple of examples of network development are briefly discussed here as “food for thought” for the team’s consideration as it moves into its regional planning activities in Module Eight.

***Script:***

“Here are two ‘real world’ network examples that we want to share with you. One is focused on workforce development. There are seven counties in Wisconsin where the goal is to transform the workforce system and create high performance talent pipelines within the region.

Another example is the development of an entrepreneurship network. The mission of the Entrepreneurs Network is to promote and enhance job growth and business creation. The Entrepreneurship Network (or TEN) provides access to national experts and funding resources, offering programs that train, educate and foster connections critical for building successful new ventures. The concept of entrepreneur networks is growing. Is there an active network in this region? If yes, what activities or programs does it provide?”

**Slide: 55**

**Time: 2 Minutes**

## Meta-Business Formation

Strategies for generating revenue that support all local business

*Examples:*

- Local coupons
- Local credit/debit cards
- Local currency
- Business directories
- Local stock exchange
- Businesses that support other businesses



***Instructions:***

A specific type of network formation is a meta-business formation. We provide examples of this type of strategy in this slide.

***Script:***

“A meta business is a business that generates revenue by supporting local businesses. There are many examples of what this looks like. We’ve listed a few of these on our slide. There are some simple concepts that are part of a meta business, such as local coupons and business directories that are used to motivate consumers to shop locally. Other ideas include a local stock exchange that helps build support for local businesses by investing in them. Are any of these examples currently being used in the region? Are they proving successful?”

**Slide: 56**

**Time: 2 Minutes**

**What's Next?**

- Identify a strategy or two that the team thinks could be successful
- Consider data collection needs
- Identify assets and barriers



***Instructions:***

Help participants consider data needs or other information gathering that may be needed before moving to Module Eight on planning for success. If information is needed, make sure the group accepts ownership of any action steps so that they are prepared to move into the planning process.

***Script:***

“We have explored a variety of possibilities during the course of this module. In Module Eight, we’ll get into specific strategies that best align with your goals. Meanwhile, are there strategies that you think might be promising that you want to explore further before we begin to develop and finalize a regional plan?”

[Allow for discussion. If there are homework items identified, be sure the regional team develops a plan for getting the needed information prior to the next SET session].

**Slide: 57**

**Time: 1 Minute**

## Final Reflections

- What are the takeaways from this module?
  - What topics did you find most helpful?
  - What did you find confusing?
  - What do you hope to implement as part of your regional team's activities?
  - Other items you want to mention?



### ***Instructions:***

Take a few minutes to ask for some feedback from your group on the content of Module Eight. Ask them to review the questions and then ask for the group's input on each.

### ***Script:***

"We've gone through a good bit of information in Module Eight and it's now time for you to share your ideas and reactions to the topics, tools and strategies that were introduced to you. Please share your thoughts on the following questions. [Read through each of the questions outlined on the slide]."

**Slide: 58**

**Time: 1 Minute**

### Looking Ahead: Module Eight

- Refining Your Goals
- Identifying the ABCs of Success
- Selecting Strategies
- Planning for Action



***Instructions:***

Share a preview of Module Eight with the participants.

If any of the work associated with this module is not finished, discuss with the team how they will work between this session and the next to finalize those elements.

***Script:***

“Thank you for the energy and hard work that you provided in this module. Let me give you a glimpse of what is coming up in Module Eight. The next module is pretty important because that is when we begin to organize all of our goals, strategies and actions into a solid plan. Here are the key topics that we’ll discuss in our next SET session [Briefly highlight what is on the slide].”