Identifying Criteria for Effective
Regional Economic Development Organizations
in the United States

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I. Introduction

Over the past few decades, economic development has been evolving as a movement away from the local recruitment of large company branches and more toward the regional governance of area resources. In its broadest context, regional economic development is the improvement of communities by fully developing the potential of the combined economic, social, cultural, and environmental well-being of its local and surrounding area and its people and by collectively sustaining relationships with the global economy (1).

Regional economic development of course principally focuses on the growth of industry and business and the creation of jobs. The establishment of a regional economic development structure to advocate for jobs and investment in a particular area is an important step, indicating support from the involved communities and area businesses and industries and the coordination of government.

It is estimated that more than 10,000 Economic Development Organizations (EDOs) conduct economic development activities in the United States (2). These range from government agencies and local community groups to utilities and railroads that work to promote economic development. According to the National Association of Development Organizations (NADO), about 550 of these organizations are classified as Regional Economic Development Organizations (REDOs), which means that the organization manages the umbrella economic development for a multi-jurisdictional area.

Metropolitan areas, with their multiple municipalities all within close proximity to each other, led the movement to avoid duplication of services and consolidate their resources through regional coordination. This trend has extended to rural areas where small local organizations are recognizing large benefits from regional cooperation that places them on the map where they previously stood relatively unnoticed by industry.

Increasingly, multi-jurisdictional areas (e.g. several adjacent counties with similar goals and common interests) are forming partnerships to initiate their economic development activities. Due to this increased attention paid to regional cooperation, economic development consultants are finding that they must operate on the cutting edge of economic development, promoting progressive regional coordination and cooperation, a focus on industrial clusters, and the importance of technological advancement to improve a region’s vitality. This project is constructed to assist one such consulting firm, Regional Technology Strategies, Inc. (RTS)1, in the design and implementation phase of regional economic development organizations.

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1 Regional Technology Strategies, Inc. (RTS) is a nonprofit organization located in Carrboro, North Carolina that builds and accelerates regional competitive advantage through economic and workforce development policy and practice. RTS assists governments, foundations, and other organizations in creating, implementing, and evaluating innovative regional economic development strategies. In its work, RTS pays special attention to historically disadvantaged regions and populations.
Currently there are no standards for evaluating the effectiveness of REDOs and their corresponding organizational structures. RTS discovered this obstacle in the pursuit of identifying applicable organizational models for regional development. There is, however, a narrow base of documented knowledge about the short history of regional economic development. There are also annual rankings of EDOs in general from several prominent industry sources.

The purpose of this paper is to find a solution to the lack of general information on REDOs through the evaluation of the ability of industry recognition to serve as a proxy for REDO effectiveness. It first provides a brief background on REDOs and their importance to the national economy, and then critiques current economic development industry recognition of REDOs by defining the contribution and limitations of assuming such a “market-based” model of effectiveness. The final section of the paper pursues the possibility of including additional measures and qualities to be considered when evaluating the effectiveness of REDOs. This information can be assimilated into an assessment tool for organizing the structure and operations of REDOs in the United States.
II. Background on Regional Economic Development

Economic development is fueled by the market forces of the global economy. The interaction of these market forces determines to a significant degree the spatial distribution of industry and employment in the United States. The management boundaries and foci of spatial relationships evolve with the changing socio-economic conditions of the times. As international competition rises, the need for regionalism increases.

Regional economic development has surged in importance over the past few decades due to an increased awareness of the implications of local decisions on surrounding areas, such as negative externalities and distributional issues associated with their economic development activities. The two themes found in current literature outline the development of economic development strategies and the development of regional governance. Both seem to have found their nexus in the concept of “partnership.”

A. Regional Governance

Economic development in the US has always been relatively decentralized, with the federal government largely subscribing to a laissez-faire free-market ideology. And so the history of US economic development began at the state level as states assumed the responsibility of promoting the business environment in order to encourage jobs and investment. As municipalities grew, local governments gradually took a prime stake in leading economic development efforts, claiming that they were closer to the stakeholders and therefore most able to provide appropriate services.

The first impetus of local economic development entities was to fragment and compete for residents and businesses. The economics behind this “inter-jurisdictional competition” are based on an optimum in the supply-demand curve for a particular bundle of public services. According to this theory, multiple competing cities result in an efficient outcome because it enables citizens and businesses to choose jurisdictions with public services and taxes that most closely match their preferences (3).

However, regional concern for economic issues has been slowly on the rise since the 1960s. When local governments are forced to use more of their own resources to support economic development activities – due to the increased mobility of capital among industry and federal funding reductions stemming from slow economic growth (4) – the opportunity to consolidate duplicative efforts through coordination becomes a priority.

The collaborative model of economic development is based on the assertion that economy-of-scale benefits result in greater economic, political, social, and environmental opportunities. Due to the changing tides of federal dollars and public support, economic development practitioners have found that collaboration has made economic development practice more efficient.

Regional governance among local governments is cited in the literature in three distinctive “waves”. The first wave marked an attempt by local governments to extend their reach to
encompass the surrounding region. However, this strategy has been largely thwarted by voters, who have rejected city-county consolidation proposals 4 out of 5 times (5).

The second wave, which occurred in the 1960s and 1970s, was characterized by shift from restructurung government to policy and program coordination between governments. Regional Councils of Governments (COGs) facilitated regional plans, and federal funding was aimed at such regional orientation.

By 1990, the private sector found the need to be closer to the governing body, and voluntary public-private partnership constituted the new wave of regional governance. Regional economic development has become a more competitive and professional enterprise involving a complex array of public and private organizations. The main difference in this wave is that these partnerships focus on the development of governance capacity rather than the expansion of government agencies. Although regional partnerships generally are formed to study an issue and develop a strategic plan, they often take on additional activities, such as program development and service delivery.

B. Economic Development Strategies

Likewise, literature generally recognizes three “waves” of economic development strategies used by EDOs, each triggered by a period of economic crisis – i.e. recession, decline of government funding, and high unemployment. Each of these waves marks a dramatic shift in thinking about economic development. However, there is some overlap because each new phase expands and upgrades the previous rather than replaces it entirely (6). Many EDOs have strategies from more than one phase.

The first wave of economic development efforts started in the 1970s when relatively undeveloped southern industrial bases began to actively recruit from the more fully developed higher-wage areas of the North. The northern areas then followed suit to engage in active competition for other industries. These “supply-side” strategies focus primarily on attracting firms into a region. Often referred to as “industrial recruitment” or “smokestack chasing”, the “old wave” directly targets larger businesses through policies designed to lower operating costs. Many EDOs are still primarily “old wave” organizations that focus heavily on business recruitment, which typically includes area marketing, financial incentives, and infrastructure investments.

By the mid-1980s many states began to focus on strengthening their economies from within. The second wave of economic development, which the Corporation for Economic Development refers to as the “home-grown” development approach, is composed of indirect firm-level assistance programs that capitalize on entrepreneurship and business retention and expansion. Typical policies focus on creating small business opportunities through capital formation programs, business incubators, small businesses resource centers and education, and R&D investments.

The third wave of economic development strategies began in the 1990s because of a global macroeconomic downturn that immediately pinched larger government spending. Strategies of the first two waves are very costly. Overall, budgets for state economic development
budgets are quite small, and state economic development efforts are dispersed within state
government and other agencies, creating duplication and inefficiencies throughout the
under-funded system (7).

Therefore, the goal of “third wave” strategies is to build general institutional or individual
capacity. Rather than focus on the expensive programs of the first or second waves, the third
wave directs policy to coordinate resources to compete, and the advantage of one region over
another lies in how resources are networked and mobilized to ensure the growth of an entire
economic cluster.

The third wave realized economies-of-scale through extensive strategic planning, public-
private partnerships, foundations of technology, human resources and capital, and the
development of strategic industrial clusters. The key to third wave programs is a supportive
economic development marketplace rather than payments to specific firms. The old
incentives of the first and second waves are supplemented by third wave strategies primarily
because regional economies no longer depend upon a single successful firm to boost
development (8).

C. Current Trends of Regional Economic Development

Broadly speaking, regional economic development allows regional communities to improve
their economic, social, cultural, and environmental well-being by developing the potential of
local and surrounding areas and by sustaining relationships with the rest of the world.
Regional economic development is about building on a region’s resources, economic
strengths, and economic drivers to create a competitive advantage (9).

The current organizational trend is for local and state organizations, both public and private,
to work together to maximize the potential for regional economic development. Partners
must delineate roles and responsibilities, maximize skills and resources, and identify
professional technical assistance so the region benefits as a whole. It is imperative that
organizations and interests should not be trying to operate at each other’s expense.

Regional economic development organizations have been formed in many communities to
promote the growth of business and to increase the number of local high-wage jobs. These
organizations are often uniquely positioned to help businesses seeking either to relocate or to
expand into a new market, blending the third wave of regional governance with the third
wave of economic development strategies. In a number of areas, voluntary groups have
formed alliances between government agencies, non-profit organizations, and private firms
to enhance the economy of a multi-jurisdictional area.

The rules of the recruitment game have changed due to the fairly recent adjustment in the
attitude of big business. As discussed above, “old wave” strategies for development (i.e.
incentives) no longer suffice now that company location decisions are based upon access to
knowledge and skills. Instead of artificial short-term relief from incentives, companies want
more sophisticated ways of reducing costs of doing business through the natural competitive
advantages of a particular area. At a national conference for governors, Hewlett-Packard’s
CEO has been quoted as saying, “Keep your tax incentives and highway interchanges; we will go where the highly skilled people are.” (10)

Only once the company has determined the region for location will it decide the particular jurisdiction that would provide them the most incentives to locate there. For this reason, inter-jurisdictional competition should give way to regional governance, and regions should collaborate to first determine the costs and benefits of locating the business in the area and then the precise locality to provide maximum net benefit to the entire region.

Regional economic development is balanced by the two forces of competition and cooperation. The competition for economic development among state, regional and local governments probably enhances the efficiency of the national economy by redistributing the duties and responsibilities to the organization best equipped to be effective, which currently is the REDO. With more resources and more organizations involved, the problems of coordination have become more critical to the regional development enterprise. REDOs have also recognized the dangers of intra-regional competition and development poaching.

While public attention is focused on competition for private investment between states or major cities, the reality is that the fiercest competition is often between neighboring cities or townships within the same region (11). A study on inter-jurisdictional competition surveyed 84 public and private sector economic development officials in 31 southeastern U.S. cities (12). Eighty-two percent of the aggregate group of mayors, business editors, commerce and economic development staff indicated that the level of competition for economic development in their city was “very competitive,” and about a third responded that competition with surrounding suburban areas was “high.”

Likewise, a 1993 survey of local economic development officials in separately operating municipalities of the Twin Cities (Minneapolis and St. Paul) Metropolitan Statistical Area (MSA) revealed nearly all believed their fiercest competition to be within that MSA. Eighty percent of the officials thought that their own local development efforts provided benefits to the entire Twin Cities Region, indicating early perception of regional externalities before any coordinating regional body was established (13).

REDOs can operate only because they are related to organizations at higher and lower levels of EDO governance (state and municipalities). Communication within these different levels is important, as influence and autonomy are checked through policy processes, funding flows, and other bureaucratic linkages. Given that the principal goal of state development policy is to improve the economic positioning of communities and regions in an increasingly competitive environment, the state should play a role in strengthening and broadening the leadership base in its communities and enhancing the technical capabilities and professionalism of its regional development organizations. Equally, local organizations must agree to secede authority to a regional governing body in order to ensure compliance.

In theory, cooperation through the formation of REDOs results in more effective use of resources. Joint decision-making enables parties to consider costs and benefits expected to affect all parties, including externalities to the degree in which the cooperative agreement is
Relative to independent decision-making, cooperation results in a more optimal solution in which total net benefits are higher (14).

Primely positioned in particular regions unified by the progressive nature of their residents and businesses, REDOs are becoming more prevalent in economic development. In order to understand and strengthen regional development, it is imperative to identify those unique goals and attributes that allow REDOs to function as effectively as possible.
III. Economic Development Organizations (EDOS)

Institutions are a critical factor in determining the economic success of an area. Studies show that institutions, or “the authoritative rule that societies put into place to organize individual and collective behavior” determine much of the ability of societies to act effectively in pursuit of economic benefits (15).

Through their organizational capacity, institutions guide action to productive channels of resolving conflict, reducing free riding through membership, and providing a systematic way of getting things done to improve the economic environment (16). In this way, organizations as institutions make sustained productive economic activity possible. Decision-making power and local control that are not backed up by effective institutions of governance are unlikely to lead to sustained economic development.

There are a variety of organizations – approximately 10,000 in the U.S. estimated in a 1997 survey (17) – that satisfy this need through the management of economic development activities for an area, from non-profit partnerships to local and state governments to utilities. Above all, economic development organizations (EDOs) should have the goal of generating “sustainable development,” which entails the preservation of the region’s economic and social integrity (18).

One of the obstacles to describing a clearly defined set of criteria for REDOs is the fact that under such broad definitions of the goal of sustainable economic development, they are often lumped in categories with many types of EDOs despite differences in missions and objectives. To provide a quick overview of the differences in their scale and scope of activities, as well as membership and other characteristics, the different types of EDOs are catalogued in the following paragraphs:

- As described in the previous section, the federal government plays a small role in economic development activities. The Economic Development Administration, created by Congress in 1965, is the main agency concerned with distributing federal money for infrastructure development, local capacity building, and business development “to help communities alleviate conditions of substantial and persistent unemployment and underemployment, in economically distressed areas and regions (19).” Over the past forty years, the EDA has provided over $16 billion in grants, which in turn generated more than $36 billion in private investment. However, the EDA is primarily a funding arm and not directly involved in formulating or implementing strategy for economic development.

- State Economic Development Offices are located within the state bureaucracy, which means they are subject to intense political pressure. Although originally the powerhouse of economic development activity, state government economic development has largely subsided, allowing the efficiencies of local and regional organizations and the private streams of funding from the increasing number of public-private partnerships to take over most of their former duties. The state role in these partnerships leads increasingly to the decentralization of state programs and personnel to regional offices.
• Local municipal economic development offices are typically very small if they exist at all. Municipal government budgets are typically very tight and staff resources low: local government tends to spread economic development activities across several agencies due to this under-funding. Recognition of a need for a focused team of economic development staff in light of this scattered approach is largely what led to the blooming of public-private partnerships for economic development. There are a few municipal economic development offices that are well funded and large enough to be effective, usually located in areas with a high tax base, strong infrastructure, and other competitive advantages.

• Councils of governments (COGs) are voluntary organizations of municipal and county elected officials to proactively address regional issues in a wide range of functional areas, including land-use planning, economic development, environmental protection and emergency medical services support. Usually COGs are established by the state general assembly. While economic development is important to this organization, it is only one of the areas that COGs address. Considering the slow and fickle nature of political bodies, and especially a coalition of political bodies, it is not prudent to expect this organization to be a leader of change for economic development.

• A chamber of commerce is an exclusively private sector association of businesspersons and merchants for the promotion of commercial interests in the community. Most likely to be effective in larger towns to small cities, the survey found that chambers of commerce typically serve communities in the middle population and density ranges (20).

• Local non-profit EDOs make up a large number of EDOs in the U.S., which have been around at large since the 1960s when local governments began forming public-private partnerships to focus on redevelopment on downtown areas (21). From this redevelopment focus, they soon aspired to provide a “one-stop shop” for their businesses and residents.

• REDOs manage economic activity over a multi-jurisdictional area, typically more than one county and sometimes interstate. Regions are recognized by a defining common characteristic or interest that unites the residents and industry, increasingly spreading across state lines or other political boundaries to reflect actual spatial patterns of business activity. REDOs can take the form of private non-profits (e.g. chambers or public-private partnerships), public (e.g. COGs), or loose associations of EDOs.

Other less common types of organizations sometimes included in categories for promoting economic development activity are utilities and educational facilities:

• Utilities are independent services to a region. There are some utility institutions that exist for the sole purpose of marketing a region, like the Tennessee Valley Authority. While they sometimes have arms that provide specialized business services, their
primary effort is self-interest in that they promote recruitment for their own benefit – i.e. the recruitment of businesses that will use their energy services.

Education and economic development go hand in hand, and many educational facilities are recognized by the industry as EDOs:

- Community colleges, which serve regional economies and particularly low-income populations, are sometimes in the best position to deliver the specific skills that match a region’s labor needs and are often included in EDO counts (22).

- One of the fundamental roles of a land grant university is economic development. Their mission is to increase the well-being of an area’s residents through “cutting edge” research, local field trials, and mass information dissemination (23). Many universities include economic development in their mission and goals. For example, North Carolina State University – a major contributor to the success of the Research Triangle Park and its innovative Centennial Campus – emphasizes its role in economic development in its current mission statement: “…North Carolina State University provides leadership for intellectual, cultural, social, economic, and technological development within the state, the nation, and the world” (24).

- As agents of the university, centers for economic development and extension services provide research and development capabilities for industry and designated areas. These centers support and expand the role of regional economic development through training, technical assistance, and information dissemination.

Each of these types of organizations is referred to as an EDO by industry sources, despite their varying missions and roles in providing economic development activities. Amidst the hodgepodge of these different types of EDOs lies the challenge of determining what makes a REDO effective.
IV. Regional Economic Development Organizations (REDOs)

Regional economic development organizations (REDOs) provide a good mechanism for achieving longer-term sustainable economic development, due to their coordinating functions. The formation of a REDO as a clearinghouse for a network of organizations acting toward a common goal promotes coordination by linking to local organizations, businesses and non-profit organizations through communication and assistance.

A. Organizational Characteristics of REDOs

Although regional partnerships for economic development have experienced a recent tremendous surge in numbers, there are few studies on their organizational characteristics and effectiveness. To date, Olberding is the leader of empirical research on the formation of REDOs. She found that the number of REDOs in the U.S. increased fourfold from the 1970s to the 1990s in a 1997 survey of REDOs located within MSAs (25), and, according to a later survey, almost 40% of metropolitan REDOs surveyed had formed in the 1990s (26).

REDOs are most likely to be formed in places where there is a precedent for cooperation among government officials, business leaders, and citizens. This theory of “cooperative norms” suggests that there is a positive relationship between the number of entities that are used to cooperating and efficiency (27). Building on the high concentration of interested parties within MSAs,2 Olberding defined 191 REDOs as voluntary groups “formed by local governments, often with the help of private sector firms and nonprofit organizations, with a mission of enhancing the economy of a multi-jurisdictional area.”

The other primary research on the formation and characteristics of REDOs was conducted by Regional Technology Strategies, Inc. (28). From a 2003 database compiled of 140 REDOs, RTS developed a qualitative description of three organizational models for regional economic development in rural areas. This study includes REDOs consisting of an area larger than one county outside of MSAs, excluding chambers of commerce. RTS also excluded REDOs whose websites provided little or no information about the organization, because they appeared to exist primarily to market the region and the focus of the study was on REDO activity.

Rural development occurs in pockets. A third of all rural counties captured three-fourths of all rural economic gains in the 1990s (29). These areas are further challenged by the large areas of low-density population served. In contrast to the more established and localized metropolitan government and business climate, rural economic development depends more heavily on the inherent strengths of the land: abundant natural resources, close-knit communities, strong local business networks, and entrepreneurial creativity. Around the same time that metropolitan governments were consolidating their efforts into REDOs, rural regions increasingly rely on REDOs to spread this wealth in the most efficient manner.

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2 MSAs in the 2003 Olberding survey include at least one city of 50,000 or a total population of at least 100,000 in an urbanized area, but did not include those regional groups formed by a legislative mandate, such as the Research Triangle Regional Partnership in Raleigh-Durham, North Carolina and the Charleston Regional Development Alliance in Charleston, West Virginia.
The results of both surveys are summarized in the table below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample Size</td>
<td>133</td>
<td>140</td>
</tr>
<tr>
<td>Selection of REDOs for Study</td>
<td>REDOs located within an MSA (with at least one city of 50,000 people or a total population of 100,000); study excludes REDOs formed by state mandate</td>
<td>REDOs located outside of MSAs encompassing an area larger than one county, excluding chambers of commerce and those that exist as marketing tools only</td>
</tr>
<tr>
<td>Methodology</td>
<td>Empirical survey</td>
<td>Information gathering from organization websites followed by interviews with selected REDOs</td>
</tr>
<tr>
<td>Formalization</td>
<td>94% of REDOs formalized through written documentation</td>
<td>majority of REDOs have bylaws which outlines responsibilities and structure of organization</td>
</tr>
<tr>
<td>REDO Type</td>
<td>79% incorporated as non-profits, 21% have other agreements</td>
<td>77% are private non-profits, 21% are exclusively public entities, 2% are considered a loose &quot;confederation&quot;</td>
</tr>
<tr>
<td>Key Players</td>
<td>mean number of participants: 116, ranges between 6-1,739</td>
<td>public organizations have no membership and are made up of localities; 50%+ of surveyed private orgs are membership-based</td>
</tr>
<tr>
<td>Staff</td>
<td>mean: 6.5 FTE; ranges between 0-34 FTE</td>
<td>mean: 9.5 FTE; ranges between 0-70 FTE</td>
</tr>
<tr>
<td>Board Members</td>
<td>mean: 27 members; ranges between 0-260, majority have both private and public members</td>
<td>most have 10-20 members, both private and public; larger boards described as not very active and typically elect smaller executive committees</td>
</tr>
<tr>
<td>Resources</td>
<td>Funding is split almost evenly between public (48%) and private (43%) money, other sources include fees from services rendered; mean budget: $1million; ranges between $0-$15million</td>
<td>private orgs receive funding largely from membership or contributions and some funding from public sources, fees for services rendered is minimal; public orgs receive contributions from local govt and grants, a few can also issue bonds</td>
</tr>
<tr>
<td>Activities</td>
<td>Almost all are involved in business recruitment; other significant activities are workforce development (65%) and strategic planning (63%)</td>
<td>78% are involved with business recruitment, 61% with existing business and 36% with access to capital, and 33% with planning activities; only 19% highlight workforce development activities</td>
</tr>
</tbody>
</table>
The two surveys reveal similar findings in the areas of type and formalization of REDOs, but varied responses in number of key players, size of board, and number of FTE staff.

The metropolitan REDOs appear to be more likely to operate as “one-stop shops,” with higher percentages of each activity reported by the REDOs. The average metropolitan regional partnership performs about 8 different types of economic development activities. Partly due to the consolidation in the definition of activities within the studies and partly due to the larger area that rural REDOs encompass, they are more likely to focus on fewer activities.

Private resources fuel much of REDO activity. However, most receive funding from public sources as well. While a few have taxing authority, most are dependent on federal, state and local grants and service fees. According to a 2000 survey by NADO, 42% of regional development organizations’ budgets consist of federal funds and 21% comes from states (30). While the results of the more empirical Olberding survey shows a somewhat smaller total percentage of government-based resources, it nonetheless supports the evidence that regional organizations are dependent on public funds, so the prospect of further state budgetary cuts will present additional challenges.

As the literature has suggested, the trend for economic development activities is moving away from government toward public-private partnerships. Both studies found that the majority of REDOs operate under a non-profit organizational status. Likewise, a 1997 survey of more generally defined EDOs found that 43% of responding organizations were non-profit partnerships, compared to 24% which identified themselves as local government and 8% which identified themselves as chambers of commerce (31).

B. Three Models of REDO Structure

In order to assist regions in determining the type of organization that may best suit their needs, the RTS report on REDOs outlined its findings of three basic models of REDO structure – the Private Non-Profit Model, the Public Model, and the Confederation Model. Each model is outlined with the following characteristics: board characteristics, funding sources, membership and scope of services and programs.

RTS allocates the Private Non-Profit Model to be most appropriate in regions where priorities are strongly focused on private-sector outcomes, such as industry cluster development or fostering the development of new entrepreneurial companies. The Private Non-Profit Model includes public-private partnerships that declare either 501(c)3, 501(c)4, or 501(c)6 status.

The main benefit of this model is the direct link to private funding from membership dues and other contribution. Public-private partnerships may also be more selective than the

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3 This study (n=261) included all EDOs listed in the preceding section, including public and private organizations, utilities, and educational facilities.

4 Because chambers of commerce were excluded from the study, purely private characteristics are not included in this model.
public entities they assist, due to their participation once removed from the political pressure faced by government officials. Therefore, criticism of the political economy that accuses public-private partnerships of benefiting mostly private constituents is checked by this social capital argument.

Boards of directors of public-private partnerships are generally larger than public organizations: typically between 10-20 members. Those with larger boards are more often described as less active than smaller boards and often executive committees of less than 10 members run the show.

The Public Model of REDO functions best in a region with a large number of municipalities and other political entities that have many needs and priorities in common and need a forum for working together. The board tends to be smaller, comprised solely of participating public officials.

Public REDOs were primarily established by state or municipal governing bodies and may be designated as an economic development district by its state or by the EDA. There are 325 such EDA designated and funded economic development districts. Economic development districts have been effective at leveraging EDA funding to secure investment from other sources. In compliance with the designation, these districts also develop a track record of facilitating a comprehensive strategic planning process for economic development at the regional level (32).

The third model of REDO identified by RTS in the study is the Confederation Model, used to designate “a structure that provides for collaboration and partnerships among a region’s key players and stakeholders in economic development.” Uncommon in practice, confederations warrant note due to their highly voluntary nature – creating partnership of the loosest definition.

Like the Public Model, a large number of political entities within a given area have determined a net benefit to collaborative efforts. An alternative to creating just one more EDO in a region already swamped with organizations that address economic development needs, the confederation model attempts to coordinate activities and competition for funding where they may overlap. It is usually governed by a small steering committee that meets more regularly than the large forum. The confederation is funded by the partner organizations, which join voluntarily in order to promote regional action plans. This type of REDO has no real power and simply facilitates coordination of activities and resources rather than mandates.

C. Scope of Programs and Services Provided by REDOs

REDOs are created to facilitate coordination between different factions of business and government through the development of programs and activities to promote the welfare of the region. REDOs provide the business community a single point of contact into the web of resources that are available in the area.
The nature of activities can be summarized into six main categories: business recruitment, services for existing businesses, entrepreneurship, access to capital, strategic planning, and workforce development. Remnants of the first and second waves of economic development strategies are still present in the activities of the third wave of regional partnership. In fact, an overwhelming percentage of REDOs in both of the surveys reported business recruitment to be a primary activity for the organization.

Results from the survey on activities pursued by REDOs in rural areas are presented below:

<table>
<thead>
<tr>
<th>Scope of Programs/Services Provided by Rural REDOs (RTS Survey, 2003)</th>
<th>Private</th>
<th>Public</th>
<th>Confederation</th>
<th>All REDOs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total # REDOs Surveyed</strong></td>
<td>110</td>
<td>28</td>
<td>2</td>
<td>140</td>
</tr>
<tr>
<td><strong>Business Recruitment</strong></td>
<td>#</td>
<td>90</td>
<td>19</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>82%</td>
<td>68%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Services for Existing Businesses</strong></td>
<td>#</td>
<td>74</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>67%</td>
<td>36%</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Access to Capital</strong></td>
<td>#</td>
<td>38</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>35%</td>
<td>43%</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Strategic Regional Planning</strong></td>
<td>#</td>
<td>34</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>31%</td>
<td>36%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Workforce Development</strong></td>
<td>#</td>
<td>24</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>22%</td>
<td>11%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Entrepreneurship</strong></td>
<td>#</td>
<td>20</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>18%</td>
<td>18%</td>
<td>0%</td>
</tr>
</tbody>
</table>

- Marketing/Business Recruitment – The majority of REDOs surveyed use their extensive resources and networks to further the regional public relations effort, especially in entertaining and placating business contacts. These organized efforts greatly multiply marketing expenditures beyond what is typically allocated in state and local government budgets.

- Services for Existing Businesses – Existing businesses are key to retaining the socio-economic culture of an area. Resource centers, consulting services and domestic trade partnerships are some of the typical programs to assist existing businesses.

- Access to Capital – Many of the REDOs reporting programs for access to capital are Community Development Financial Institutions (CDFIs) certified by the US Treasury.
Department. Programs include revolving loan programs, gap financing, SBA loans, micro-credit lending, as well as financial counseling and technical assistance.

- Strategic Regional Planning – REDOs can receive federal funding specifically for regional planning. Energy initiatives and information technology coalitions are examples of programs. Grants from EDA, the Appalachian Regional Commission, and the National Institute for Standards & Technology target regional initiatives (33).

- Workforce Development – In order to match the local base of skills to industry needs, a regional approach facilitates a larger niche market. Job training and employment planning are the main functions of these types of programs.

- Entrepreneurship – Over half of the US businesses filing tax returns in 1999 were home based and 30% of those were full-time businesses (34). In fact, one in ten people in the United States is pursuing an entrepreneurial venture (35). By encouraging an “entrepreneurial social infrastructure,” regions promote a strong local base of jobs and incomes. Business incubators, loan programs, entrepreneurial workshops and networks help facilitate this spirit.

D. Assessing the Effectiveness of REDOs

Despite the increasing emphasis on promoting regionalism, there is an apparent lack of studies in this area. Researchers are only beginning to scratch the surface of observing REDO behavior and organizational characteristics. For example, the 2003 database compiled by RTS has very little normative information by design. In order to determine the effectiveness of REDOs, one must plunge another level deeper into understanding the goals and objectives of the organizations.

First research attempts to assess the effectiveness of REDOs touch on important economic development goals: employment and standard of living. Olberding found that the existence of metropolitan REDOs in her survey are positively and significantly related to an increase in the number of jobs. REDOs were also found to be positively and insignificantly related to an increase in income per capita (36).

RTS followed up their survey of rural REDOs with interviews of organization leaders and found that most organizations tend to express terms of effectiveness in the traditional “old wave” terms of economic development. RTS asked 14 sample REDOs a series of questions about organizational structure. To the question “What do you think are the most significant indications of your organization’s effectiveness?” the top two responses were number of jobs created and revenue dollars generated. Increases in per capita income was also a common answer.

However, these measures do not take into account some very important ideas about regional economic development. While the organizations are focused on the number of jobs created and dollars employed in the region, it really says very little about the quality of overall
effectiveness. For example, 100 low-skill jobs created in an area would have a very different economic impact than the creation of 100 highly specialized jobs.

Interestingly, a few of the organizations chose to respond in a different manner, citing public recognition as their measure of effectiveness. Pertaining to effectiveness, transcripts from interviews with organization leaders also recorded responses such as:

- “The reputation of the organization speaks for itself. It’s nice when you say ‘BIDCO’ and there’s a positive connotation. This positive history is effective with new prospects and funders alike.” - Jeri Adkins, BIDCO, Kanawha Valley, WV

- “Right now, we are getting a lot of positive press. The Herald is also one of our members. We’ll know if we don’t have support through the membership activity and dollars that fund us.” - Gretchen Gwaltney, TRIDEC, Southeastern WA

Due to the lack of robust studies in this area, a reasonable and widely applicable proxy measure of “successful REDOs” remains to be identified. As of this time, there is no known quantitative way of measuring the success of an organization, nor is there a descriptive qualitative guideline.

This paper attempts to find a way out of this dilemma by defining a “market-based” model of effectiveness that does not rely on various measures of self-reporting. While a first instinct was to reference funding levels of the private organizations that obtain funding from the business community, this method has been abandoned. Funding levels would not necessarily measure success: some surveyed organizations expressed an explicit desire to remain small and focused on one or a few aspects of their mission. Spinning off an activity or function would, in a budget-driven measurement system, look like a failure when it could actually indicate effectiveness.

Therefore, this research tests the theory that measures of “success” for REDOs can be found through national recognition criteria. REDO leadership is attuned to the public eye. Economic development organizations crave recognition almost as much as they crave funding - and funding often follows recognition in the absence of robust performance measurement. Those organizations that are perceived as successful are funded; therefore, national recognition is very important to economic development organizations and should be considered as a proxy for success.
V. Assessment of the National Recognition of REDOs

The ultimate goal of economic development is to build assets and wealth for a particular area. Underlying all economic development policy is the goal of creating more jobs. More jobs, in turn, lower unemployment, raise wages and property values, enhance business profit, and generate additional tax revenue. This emphasis on job creation is accentuated by the way in which the economic development community recognizes EDOs.

Economic development organizations as a whole (including municipalities, REDOs, and state agencies) are recognized through national venues, but often compete with each other for these limited awards despite their different goals and objectives, diluting the importance of the strongest characteristics unique to a regional model. While coordination and the consolidation of activities into REDOs is the new wave of ED, they still perform tasks similar enough to other EDOs for the industry to warrant lumping them in the same pool with all EDOs for comprehensive categories, despite the different nature of their scale and scope.

In light of the sparse effort to distinguish the accomplishments of REDOs from those of other types of EDOs, this paper has compiled annual recognition lists of EDOs from respected industry sources. They reveal that the main criterion for recognition as a successful EDO is a reported increased jobs in sheer numbers, which is not always the best indicator for achieving REDO goals. The following have been publishing “best in show” lists for several years, all using similar but slightly different criteria for evaluation.

A. Awards from Major Industry Sources

Major industry sources for economic development are few, but the impact of their opinion on industry is notable. Site Selection, the official publication from Conway Data Sources, is distributed to over 44,000 business executives who make location decisions for their company. The International Economic Development Council (IEDC) is the largest membership organization serving economic developers and the ED profession. The National Association of Development Organizations (NADO) is another national membership organization, serving both community development organizations and EDOs; and CoreNet Global Direct Investment Solutions is a global real estate membership network. The government is also involved in providing economic development information through the US Department of Commerce Economic Development Administration (EDA).

The table on the following page summarizes the findings from the awards given to REDOs in the past few years (37-41).
### National Recognition for REDOs in the U.S.

<table>
<thead>
<tr>
<th>Industry Award</th>
<th>Main Criteria</th>
<th>Eligible Nominees</th>
<th>Number of Annual Awards Given</th>
<th>Recent REDO Award Recipients5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Selection Top Ten Development Groups</td>
<td># of jobs created/retained, increase in investment dollars; # of jobs created/retained per capita; increase in investment per capita</td>
<td>all EDOs - public or private</td>
<td>10 Top Groups; 10 Honorable Mentions</td>
<td>Corpus Christi Regional EDC; Greater Shreveport Chamber; Pittsburgh Regional Alliance; Regional Growth Partnership; Southern Oregon Regional Economic Development Association</td>
</tr>
<tr>
<td>EDA Excellence in Economic Development Awards</td>
<td># of &quot;higher-skill, higher-wage&quot; jobs created/retained, increase in investment from local, state, and private funds, capitalizing on regional assets, long-term regional strategy</td>
<td>all non-profit orgs; local, state and regional govt; universities and colleges</td>
<td>7 awards for: regional competitiveness, innovation, rural econ devlpmt, econ adjustmtn strategies, tech-led entrepreneurship, &amp; urban/suburban devlpmt</td>
<td>San Diego Regional EDC; Plattsburgh-North Country Chamber</td>
</tr>
<tr>
<td>IEDC Partnership Award</td>
<td># of jobs created/retained, increase in investment, partnership between orgs; spin-off potential</td>
<td>EDOs with IEDC membership - public or private</td>
<td>3 Awards based on population; 3-5 Honorable Mentions</td>
<td>Greater Conroe EDC; Dorchester Bay EDC; South Ward Neighborhood Partnership; Cheyenne Technology Corridor</td>
</tr>
<tr>
<td>IEDC Program Award</td>
<td># of jobs created/retained, increase in investment dollars</td>
<td>EDOs with IEDC membership - public or private</td>
<td>3 Awards based on population; 3-5 Honorable Mentions</td>
<td>Springfield Technical Comm College; San Antonio Economic Development Foundation; Youngstown/Warren Regional Chamber</td>
</tr>
<tr>
<td>NADO Innovation Awards</td>
<td>innovation of selected program</td>
<td>NADO membership</td>
<td>70-100 Awards based on many facets of development, 10-15 in each category, including Business &amp; Entrepreneurship Devlpmt and Social and Econ Devlpmt</td>
<td>Southern Five Regional Planning Commission; ArkTex COG; North East Texas Econ Devlpmt District; Eastern Carolina COG; Berkeley-Charleston-Dorchester COG</td>
</tr>
<tr>
<td>CoreNet Global Award for Econ Development Leadership and Accomplishment</td>
<td>total performance of an EDO from the perspective of their own communities as well as corporate investors</td>
<td>all EDOs - public or private - with $300 nomination fee, membership not required</td>
<td># Awards</td>
<td>Greater Tampa Chamber of Commerce, Committee of One Hundred</td>
</tr>
</tbody>
</table>

5 Award recipients listed include only REDO winners, not other types of EDOs.
The awards are presented to the EDOs that caught the attention of the respective selection committee, whether they focused on traditional recruitment-oriented figures, such as Site Selection and the EDA, or a more qualitative nature of the organization and its relationship to the region, like the NADO Innovation awards.

One of the most highly coveted annual awards, Site Selection’s annual Top Ten Development Groups, highlights development organizations largely for their role in bringing large-scale corporate expansion projects to their respective communities. The top ten selected EDOs scored well on the primary criteria of new jobs and new corporate capital investment, as well as the normalized criteria of new jobs and investment each on a per-capita basis “in order to level the playing field between the larger state and regional organizations and the community groups.” The judges then review each nomination “for evidence of new, value-adding services and programs to benefit both prospective new firms and existing companies, as well as economic development leadership, problem-solving, innovation, and cooperation.”

However, the slant toward business recruitment is obvious in their selections. The Corpus Christi Regional Economic Development Corporation is often among the Top Ten, appearing on the most recent 2002 list, due to recent relocations from the aviation sector: Boeing Corp., Sikorsky, and GE Engines. Heading its list of accomplishments, Corpus Christi REDC is developing a new business park focused on aviation companies. It should be remembered that the purpose of the publication is to incent and inspire company decision-makers on location decisions. Therefore, second and third wave ED strategies take a firm backseat to the traditional first wave “buffalo hunting.”

While, with 20 awards and honorable mentions per year, the Site Selection Top Ten is the largest list of performing EDOs recognized by the industry, the focus of the awards is hardly on REDOs. In fact, REDOs make up only 26% of the Top Ten winners from 1998-2002, as opposed to the 34% of state and provincial departments and the 40% of local city and county EDOs. Despite the overall trend toward regional development efforts, Site Selection has decreased the number of REDOs selected over the last three years.

The EDA annually selects seven not-for-profit or governmental EDOs nominated by the community at large for Excellence in Economic Development. These awards showcase best practices and highlight outstanding results. While each of the seven awards has a different slant on economic development, the main criteria for the awards remain the same: number of jobs and increased investment in the area. However, the jobs created or retained must the additional criteria of being higher than the average wage and skill level for the community. These awards also look at regional issues such as regional asset-building and overarching long-term regional planning.

Most significantly, one of the awards is specifically for Excellence in Regional Competitiveness. This award was last received in 2003 by the San Diego Regional EDC. The EDA’s description of the winning REDO is that it supported the growth and expansion of high-skill, high-wage growth industries in the region through a private “CEO-driven” agenda. Achievements noted in the description include statistics from the 43 technology-led companies that expanded or relocated in the region: 23,800 total jobs equaling $1.13 billion in payroll and $135 million in indirect business taxes, for a total financial impact of $1.8 million.
Another consideration is that five of the seven descriptions of the winners name EDA investments in the winning organization, indicating that EDA participation may be an influential factor in deciding the winners of these awards.

On the other end of the criteria spectrum, the NADO Innovation Awards annually recognize 70-100 of its 320 members for “innovative projects to the region being served.” Where the previous two awards seem to place too much weight on quantitative economic development measures without respect to the regional character, these awards appear to be based entirely on subjective worthiness of a member highlight for the annual newsletter. This recognition also becomes a bit blurred with the variety of different types of services provided by the large number of winners.

These awards are not confined to economic development, including many social service projects. Categories supporting economic development, such as Transportation and Infrastructure are interesting to note, but the two categories of Business and Entrepreneurship and Social and Economic Development are most relevant to assessing REDO effectiveness. And more importantly, it is obvious from the types of organizations represented that NADO membership is primarily limited to public commissions and planning districts.

The IEDC presents annual Economic Development Awards that seem to offer a better melding of the quantitative and the qualitative. The awards are announced in categories for both EDO programs and partnerships in three divisions based upon population served: less than 50,000, 50,000-200,000, and over 200,000. These awards are focused more explicitly on creative venues for creating jobs and innovative programs. For example the Greater Conroe EDC – in conjunction with the North Harris Montgomery Community College – was named as a partnership category winner for its role in promoting the new Montgomery College Center for Business and Technology Training.

Although the descriptions of the IEDC winners do not typically talk in the language of investment dollars or number of jobs created, several of the same names, particularly those local EDOs like the Broomfield EDC, appear on this list and the Site Selection Top Ten, indicating a strong quantitative requirement.

A major pitfall in the recognition of REDOs by the IEDC is that it gives out just 6 awards per year to all EDOs, and the number of REDOs that make the list each year are so few. In fact, in 2003 all of the category winners in each division were local municipal EDOs – except for one county EDO. No REDOs made the cut. And the Youngstown/Warren Regional Chamber was the only REDO included of the seven EDOs that received Honorable Mention status.

The award that has the most appropriate approach in regard to identifying a successful REDO is the CoreNet Global Award for Economic Development Leadership and Accomplishment. The CoreNet selection committee chooses its four recipients based upon “the leadership and accomplishments in economic development work.”

Rather than reflecting the pure visibility of an area, CoreNet claims to focus on “the total performance of the EDO from the perspective of their own communities as well as corporate
investors in such areas, which is obviously not limited to local investment promotion activities (attraction, expansion, and retention of corporate investments) or limited to large well-known areas.”

Again a major obstacle to abstracting REDO best practices from these winners is that the number of winners is so few. Of the four most recent winners, only one was a REDO – the Greater Tampa Chamber of Commerce Committee of One Hundred (which was also listed on the Site Selection Top Ten of 1999 and 1998).

**B. Critique of Current Evaluation Criteria for Industry Recognition**

Overall, the awards given by the industry sources appear to have a bias toward other types of EDOs. REDOs recognized are not perceived as successful as other types of EDOs despite the overall common criteria elements. The EDOs recognized for achievement seemed to have a much more persistent stay in the limelight: Prince William County Dept. of Economic Development, Ardmore Development Authority, and Broomfield EDC each had a multiple run on Site Selection’s Top Ten as well as winning other awards. Catering to the old wave style of “site selection” criteria, this makes sense because local EDOs are much more visible in media terms of recruitment news. City or county EDOs that encompass “hot spots” of activity are less inclined to partner with surrounding areas.

Furthermore, the attempt to compare many types of EDOs loses valuable information about characteristics specific to REDOs. For example, this bias toward recruitment “success” does not sufficiently account for other benefits, such as the efficiencies realized by REDOs that have partnered with private entities and regionalized to avoid costly duplication. While some of the narratives of the winning entities pay minimal lip service to these qualities, they are not highlighted as “best practices.”

The varied types of EDOs included in the competitive categories make it very difficult to pinpoint those characteristics of REDOs that make them outstanding. In order to determine more appropriately the best practices of REDOs in the U.S., they would need to compare apples with apples – that is, a ranking solely of REDOs. Currently, the only source that touches on this ideal is the EDA, which bases one annual award on excellence in regional competitiveness, but this attempt just barely scratches the surface of identifying best practices.

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6 Some local EDOs were listed several times on the lists in multiple years for their role in bringing in a major deal or two. Once established as a prime location, these areas have watched the fruits of their labor multiply largely on their own. For example, Prince William County Dept. of ED, has won several awards from Site Selection, EDA, and CoreNet since the landing of AOL in 1999. Other majors have come to the area as well due to its strategic location on a major transportation node near the nation’s capital, most recently the 2002 landing of Eli Lilly in a 600,000 sq ft. 705-employee insulin plant. And the Broomfield EDC in Colorado has made Site Selection’s Top Ten List for five straight years, as well as Honorable Mention from the IEDC, due to the success of “high-tech titans” Sun Microsystems and Level 3 Communications, which have generated heavy spin-off activity as the industry clusters.
In summation, current industry recognition standards rely too heavily on recruitment outcomes to gauge effectiveness of EDOs. The awards generally serve the purpose of creating “talking points” for the industry sources with fast facts on people employed and number of dollars generated. However valuable this quantitative measure of development may be, it does not complete the full picture of the effective REDO. There are other measures important in assessing effectiveness, yet overwhelmingly ignored by the industry.

C. Negative Implications of the Limited Focus of Standard Evaluation Criteria

Almost every industry group uses number of jobs and number of investment created as its standard benchmark. While these are important and direct measures of the ultimate goal of economic development, they are insufficient as the only standards by which EDOs are compared. There are several reasons that these pure numbers can only tell part of the story.

Blanket recruitment strategies, which have the greatest potential in bolstering these figures, are not always in the best interest of the communities served and have some potentially negative externalities which are not accounted for in the industry recognition of “success.” Sometimes a scattershot approach that attracts all business could attract a large organization that brings many jobs, but in relocating, sabotages the culture and values of the community and causes a spiral effect of consequences of surrounding businesses.

Economic development can be “pathological” if the economic activity erodes the community base or increases its vulnerability to macroeconomic fluctuations (42). While the large influx of jobs would register on the radar screen of the industry judges, the overall effect may not be in the best interest of the region. Evidence shows that economic development strategies that rely principally on growing regional assets rather than on attracting outside investment have been more successful in creating dynamic economies (NGA).

Investment in new economic activity actually can displace existing business instead of supplementing the current base (43). Basic employment activities, or those producing “tradable” goods sold to firms or residents in other regions are more likely to generate net economic activity. However, non-basic employment activities, or those serving the local residents (e.g. restaurants, retail) rarely create significant new jobs and simply shift economic activity from existing stores to the new mall – which means out of the hands of those businesses grounded in the community to the outsiders brought in through incentives.

Job security is important to sustainable economic development. Businesses with a longer history and stronger ties to the community are more likely to remain than a company recently lured to the region through incentives. Logic dictates that the latter would be more prone to being lured subsequently to another region offering more incentives. For example, textile firms recruited from the Northeast to the Southern States in the 1970s have been moving offshore to Latin America and most currently to Asia, suggesting that the South merely had “borrowed” these firms until a better deal was offered (44).

An argument also can be made that local industries contribute more to the tax base. Because they are not rooted in the local economy, many larger businesses relocate their employees to the higher-paying management and administrative positions in the region, rather than hiring
from the local employment base. Many recruited companies are branch locations, which means that the majority of their highest paid positions remain outside the region at company headquarters. Further, multi-plant locations can allow greater use of transfer pricing to avoid local taxes. Recruited plants also typically prefer to use existing suppliers rather than local businesses they do not know (45).

Finally, there is the issue of financial incentives often given to recruited companies as incentive to move. In order for benefits to exceed tax contributions made by current residents, it must be shown that the investment in question would not have occurred without the incentives and that actual net-income gains to the employees of the newly created positions must be significant given their other options in the local labor market.

D. Obstacles to Shifting Focus from Old Wave to New Wave

Old wave supply-side strategies measure “success” by the number of “prospects landed” and jobs created, with little regard given to the type of job and industries created. EDOs relying on “ad-based” campaigns often lack significant strategic content. Most programs simply produce a series of glossy booklets that tout the region’s amenities or praise its skilled workforce. The success gained by these programs is often limited. The development that does occur typically fails to benefit the local community beyond a simple job count. However, this is the incentive given to EDOs in order to achieve recognition from the industry.

Through the recruitment lens, typical national recognition highlights high-profile EDOs that are usually metropolitan and with large marketing budgets that can afford to pull in new firms. The limited scope of definition for “leadership” and “accomplishments” does not allow the awards to get past the glamorous recruitment criteria. Using this method will always produce the same results: glory-seeking EDOs will push promotion and incentives. Consequently, those organizations that are looking toward a more sustainable future through strengthening resources for existing businesses, entrepreneurship, enhanced productivity, and continuous skill improvement for competition in a global economy are more inclined to slip through unnoticed.

The importance of existing industry is not a new concept. However, politics often drive economic development strategy. An announcement that a new company is moving to the region makes a bigger splash in the local newspaper than local companies hiring new workers – especially in today’s stagnant job market. Furthermore, economic developers are typically evaluated on the new firms that they recruit to the region. Although fully aware of the fleeting nature of this strategy, the majority of economic developers feel that the need for immediate results and the publicity associated with out-of-state corporate expansion announcements outweigh the longer term, but less showy, results from expansions by entrepreneurs and existing businesses.

In response to these critiques of the current method of evaluation, a new system of evaluation is needed – one that will take into account other measures of economic growth along with the development criteria already established by the industry – to tell the full story of how REDOs contribute to improving the welfare of the region.
VI. Development of Appropriate REDO Evaluation

The previous section argued that current evaluation of REDOs was 1) sparse; 2) confusing due to the various types of organizations being compared; and 3) biased toward old wave economic growth strategies. In order to develop a better set of criteria, the industry should look at additional metrics, which will account for a more comprehensive view of the regional development process.

Economic development cannot be easily separated from social, community development, and environmental issues. REDOs need to consider their involvement in these related issues that often have economic considerations associated with these broader regional development scope. Despite the tendency for economic developers to advocate measures to improve the local business climate on the grounds that private investment is needed to sustain the local economy, they should be held accountable for measures that reasonably protect workers and the natural environment from market forces. Recognizing that economic development does not occur in isolation, REDO goals should account for regional infrastructure planning and supporting social, cultural, and environmental systems and structures.

In general, to evaluate REDOs at large, industry sources should blend the more qualitative or “Innovative” approach, such as that aspired by the NADO and CoreNet with the “Traditional” recruitment focus that Site Selection and the EDA employ in their selection. In this way, the performance of REDOs could be evaluated both in terms of economic growth metrics (i.e. income, jobs, company formation) and development metrics (e.g. amenities, quality of life).

A. The Absence of True Economic Development Measures in Current Criteria

Much of the focus of the industry on the specific measures of jobs, income, and investment stem from a desire to achieve significant growth in a region. However, there is a distinction between economic development and economic growth that is often overlooked by the economic development community. Regional “economic growth” refers to the increases in the total value of goods and services produced: the net regional product. Associated with economic growth are increases in employment, private investment, and population. On the other hand, regional “economic development” considers the increases in the quality of life and standard of living sustained by residents of the region. This concept is concerned with the welfare of the individual within the region (46).

The relationship between “development” and “growth” depends largely on the criteria used to measure economic development. For example, the most common measure used by industry sources is the number of jobs created in the region. This is clearly a measure of economic growth. It is important to note that an increase in growth does not necessarily imply positive development. If the population is growing at the same rate or at a greater rate than the increase in jobs, than the region is experiencing growth but not development. Economic growth is specifically quantitative without reference to qualitative considerations; that is, it does not account for the quality of life and preferences of the regional citizens.
Economic development strategy typically encompasses longer-term activities than economic growth strategy. The expansion of job opportunities and consequently the tax base must occur through a variety of activities, including but not limited to recruitment. Long-run sustainability depends on blending new economic activity into the current economic base without destroying the existing social interconnections.

Mainstream economics considers job growth as a means to creating wealth and improving the standard of living in the region. In light of this political environment, economic developers have tended to focus on improving the business climate and shy away from the social responsibility of equity, wealth distribution, or the environment. Without a proper distinction between growth and development, these terms take on the same meaning and objectives are blended together that do not necessarily achieve the same goal. Current recognition by the industry only enforces this trend by selecting winners based on quantitative growth measures and using other development characteristics as sidebar commentary.

Growth is best defined as simple quantitative increase, whereas development is more qualitative and involves structural change. Growth and development may be competitors in the short term but complements in the long term. “Over the long term, growth provides the resources needed for development; development generates new technical, organizational, behavioral, or legal structures that facilitate growth” (47).

A clear set of established goals and priorities for economic development are crucial to determining the effectiveness of economic development. A series of tradeoffs must be accounted for, and the concept of balanced development for a particular region must be established on the basis of those aspects of development, which are to receive priority in their region. The result is a set of development goals, with appropriate weights to reflect priorities, which can be used to measure changes in the quality of life of the region.

The idea of tradeoffs argues that all development objectives are not mutually compatible and to emphasize one may mean that others cannot be achieved simultaneously. An obvious example is per capita income. It might well be that increases in per capita income as a priority would mean the goals of equity, stability, and environmental quality received less emphasis. The latter goals would then be traded off against the former.

B. Potential Criteria for Identifying Effective REDOs

Economic development, defined as the quality of life experienced in a region, is a broader concept than that measured simply by per capita income or number of jobs. The recruitment of outside companies should not be the only main criteria for recognition. As the descriptions of the IEDC and the CoreNet awards outline, merit points must be weighted for other outstanding accomplishments in many forms, such as overcoming long standing obstacles to progress and creating diverse community teams to address challenges. Other more qualitative dimensions must be added to the quantitative to make a meaningful measure.

The standard measures for REDOs should include criteria or goals by which conditions and progress can be evaluated. In turn, the designation of the development goals and criteria
must be explicit and prioritized. According to the IEDC, “Economic development seeks to improve the duration and stability of individuals’ employment, to increase their income, and to maintain citizen satisfaction with the quality of life, while avoiding detrimental impacts on the environment and energy reserves.”

Number of jobs created, per capita income, and per capita investment generated can indicate economic growth without economic development. Summarized in the table below, other possible components of a scale to measure regional economic development through both economic and social lenses include: the regional rate of economic growth; equity and income distribution; employment stability; infrastructure improvements; and environmental factors that could affect the quality of life in a region (48).

### Potential Criteria for Measuring the Effectiveness of REDOs in the U.S.

<table>
<thead>
<tr>
<th>Suggested Measure</th>
<th>Measure of</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Jobs Created</td>
<td>Economic Growth</td>
<td>Net Employment Increase</td>
</tr>
<tr>
<td>Income Per Capita</td>
<td>Economic Growth</td>
<td>Income Generated by the Region Divided by Total Population</td>
</tr>
<tr>
<td>Investment Generated Per Capita</td>
<td>Economic Growth</td>
<td>Investment Generated by the Region Divided by Total Population</td>
</tr>
<tr>
<td>Regional Rate of Economic Growth</td>
<td>Economic Growth</td>
<td>Net Increase in Production</td>
</tr>
<tr>
<td>Equity/Income Distribution</td>
<td>Economic Development</td>
<td>Number of Jobs Earning Below the Mean Annual Salary. Determination of Minimum “Desired” Income</td>
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<td>Employment Stability</td>
<td>Economic Development</td>
<td>Number of Jobs Lost</td>
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<td>Infrastructure Improvements</td>
<td>Economic Development</td>
<td>Increases in Public Projects Funded</td>
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<td>Economic Development</td>
<td>Pollutant/Emission Standards</td>
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<td>Citizen Satisfaction</td>
<td>Economic Development</td>
<td>Survey, Net Migration</td>
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</tbody>
</table>

- In order to generate the most comprehensive list of potential criteria, number of jobs, per capita income and per capita investment measurements of economic growth have been included. However, they are widely used to measure REDOs and warrant no further discussion here.

- The rate of economic growth is a measure of efficiency progress. “The achievement of efficiency ensures that existing resources are employed in those economic activities in which their return or productivity is greatest.” One of the tenets of economic development is that efficiency maximizes the rate of economic growth, and therefore, if a REDO is achieving its proper economic development goals, then the rate of economic growth of the region is increasing steadily. Benchmarking the different
rates of regions served by REDOs across the country could provide a ranking for this component of the measure.

- Equity and income distribution is always an issue that arises in academic discussions about economic development, but less so in the political arena of the practitioner. It is possible that a region could experience economic growth with increasing per capita income, but the actual distribution of income is disproportionately skewed away from the lower class. The distribution of income generated by the region will affect the standard of living of its residents. A preliminary indicator for the region is the number of employed persons earning under the mean income for the region. One of the goals for each REDO should be to determine the minimum standard of living for each resident. An assessment of the number and percentage of the employed population who work for wages below this determined standard for the region.

- As mentioned in the preceding sections, job stability is important to sustainable economic development. Employment figures have a natural cyclical pattern of expansion and decline. The role of a REDO would be to minimize the impact of this cycle on the residents of the region. A concentration on regional assets and cooperation among key players would help minimize this effect, as well as diversification of industry sectors. Indicators of job stability would include the number of jobs lost due to permanent reductions in the production of established firms in the region, obtained from the State Department of Labor.

- Infrastructure improvements and public services affect the standard of living for all residents. Therefore the adequate provision of quality public goods and services is another important development goal. The growth of the public sector is determined by the growth of the private sector. In turn, the quantity and quality of public goods and services support the growth of industry. The efforts of a REDO could be measured by the increase in spending on roads, utilities, technical service centers, and industrial parks.

- The environmental quality of the region (i.e. air and water, open space, noise and waste) could be measured to ensure that environmental resources are utilized in the most economical way to avoid potential detrimental effects of economic development. Indicators could include the percentage of days in the previous year that major water drainage and air basins in the region exceeded maximum air or water pollutant limits (similar to the data already collected by the FHWA) or percentage of regional industrial sources that exceeded maximum emission standards for a given number of days in the previous year.

- Citizen satisfaction with their current standard of living should be the highest priority of healthy economic development goals. A quick measure of citizen satisfaction would be to observe net migration rates, assuming that people who are satisfied with the quality of life will remain in the area. However, achieving a good idea of true citizen satisfaction would require a household survey, which tends to be very costly. Responses would be mostly qualitative, and rankings could be derived from percentages of households that rate their standard of living as “fair” or “poor.”
Again, it would be desirable for the REDO to develop a minimum satisfaction percentage by which they could include in their goals.

The inclusion of more economic development measures in the evaluation of REDOs will provide a more sustainable overview of the region. Specifically, if a region can maintain the appropriate skilled labor supply, public and private infrastructure such as roads, water systems and industrial parks, capital availability, and conducive institutional frameworks, it will more likely grow at a faster rate than other regions. These few measures outlined in most economic textbooks added to the current standards of current evaluation would greatly improve the selection of REDOs for recognition of successful strategies.
VII. End Notes


47. Ibid.