



Blueprints for Your Community's Future: A Targeted Economic Development Approach

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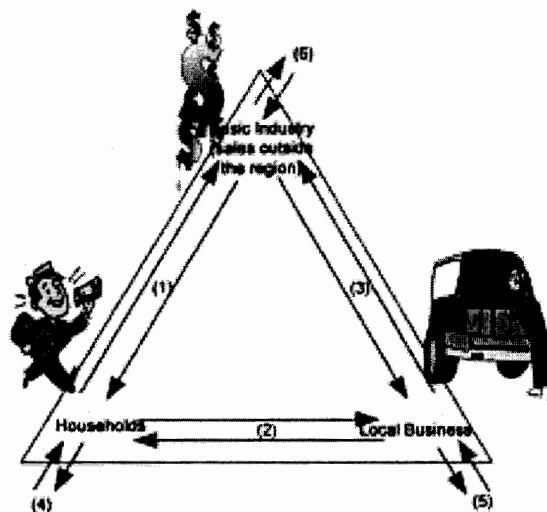
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Interest in local economic development has focused on cluster analysis and targeted economic development efforts. Studies indicate businesses often locate or expand near clusters (similar businesses, input supplies, customers, etc.). A targeted effort in economic development can lead to more effective use of scarce local or regional resources. This fact sheet presents a targeted approach to local economic development efforts and a potential data/information source. The approach is the result of a research project funded in cooperation with Public Service Company of Oklahoma (PSO) and resources provided by the Oklahoma Agricultural Experiment Station. Before presenting the targeted economic development approach, a brief discussion of community dynamics and the community development planning process is reviewed.



Understanding Community Dynamics

A community economy is composed of all the households and businesses within the community space and their function, interaction, and change through time. There are many relationships within the community, as well as ties to other communities, including international markets.

The following diagram illustrates the major interchanges between components of an economic system.

- (1) A household earns a paycheck through employment in one of the basic industries. Basic industries are those that produce goods or services for sale outside the community.
- (2) The household then uses its income to purchase goods and services in the local economy.
- (3) Basic industry may also purchase goods and services from local businesses, or vice versa.
- (4) Households may seek employment outside the community and purchase goods and services outside the community. Consumers may have many motives for these decisions: availability, selection, or price.
- (5) Local businesses also purchase items outside the community. When a community has a strong retail sector, they may actually draw consumer purchases from a larger area.

- (6) Basic industry purchases production inputs outside the community. Production inputs may include raw materials, labor, or specialized services. They sell their production outside the community and bring money into the community.

By understanding how a community works, it is possible to develop a consistent, beneficial community development plan and reach economic goals.

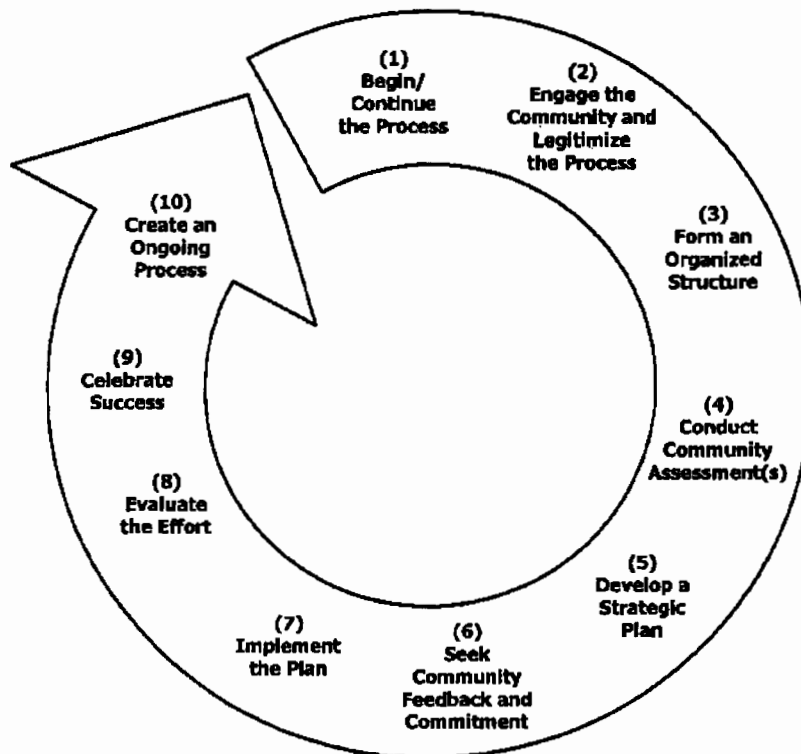
The Community Development Cycle

Community Development Cycle

The following chart presents a 10-step process describing the efforts involved in local community development planning. The steps are interrelated and may not always occur in exactly this sequence. The cycle presents a useful overview of the process.

- (1) **Begin/Continue the Process.** Someone or a group must make the initial decision to build a community strategy. At this point, the community decides if the benefits of such a process are worth the effort. Often this is the time when a resource provider such as the Oklahoma Cooperative Extension Service is contacted to assist in the planning effort.

The Community Development Cycle.



- (2) **Engage the Community.** Plans are not successful if only a few individuals are involved. Broad community support is critical. The wider the range of participants, the greater the talent pool available. Public sector groups, private sector representatives, and volunteer organizations should all be encouraged to participate.
- (3) **Form an Organized Structure.** Utilize an existing organization or form a new one. Someone or a group needs to be responsible for the effort. If a new group is formed, a more formalized structure with by-laws may be desired as the process continues.
- (4) **Conduct Community Assessment(s).** Data and information provide useful perspectives for planning. Communities should assess local assets and determine what resources are available to move forward. There are many tools available to assist in assessing community resources. Target industry analysis, as described in this report, can be considered one of these tools. Other assessment tools include community surveys, data and trends analysis, economic impact analysis, and sales gap (retail) analysis.
- (5) **Develop a Strategic Plan.** Communities should identify goals and measurable objectives. Often a common language is useful. See the publication WF-916, "Blueprints for Your Community's Future."
- (6) **Seek Community Feedback & Commitment.** Share the initial draft of community goals and objectives. Involve the local media, and let local residents know of the effort. Be prepared for new ideas and be receptive to additional suggestions.
- (7) **Implement the Plan.** Hopefully, adequate resources and volunteers have been identified to follow-through and successfully implement the planned objectives. This

is the stage where most plans falter and end up "sitting on the shelf". Lack of adequate resources will probably insure failure and disappointment.

- (8) **Evaluate the Effort.** Continue monitoring and evaluating efforts to determine success. If benchmarks are set to measure achievement, then success can be documented.
- (9) **Celebrate Success.** Reward yourself and the entire community when objectives and tasks are accomplished. Organize a community-wide celebration to acknowledge both short-term and long-term achievements. This is one way to insure continued interest and excitement.
- (10) **Create an Ongoing Process.** The effort does not end but is to be continued and evaluated annually. Each year or two re-evaluate and possibly modify or add to the plan. Remove goals and objectives that are accomplished.

Target industry analysis may be an important part of this process. As indicated earlier, it can be used in the community assessment stage of the process. However, target industry analysis can have a broader role and may be consulted and utilized throughout the community development cycle.

Target Industry Analysis and Economic Development

In general, there are four approaches to economic development:

1. **Creation** - New businesses develop in the community through entrepreneurial activities;
2. **Attraction** - New industries come into the community, either through the relocation of existing plants or the establishment of new branch plants;

Creation
Attraction
Retention
Expansion

3. **Retention** - Companies, which are already established in the community, remain in the community and do not shut their doors or move elsewhere;

4. **Expansion** - Existing business establishments expand and increase their production or services offered. This leads to enlarging the physical plant size, hiring new employees, and purchasing additional raw materials and supplies.

All four of these activities are vital to the economic development process and valid in their own right. Together they promote the idea that for success in development efforts, a group must CARE for their community. The data generated here by target industry analysis can be beneficial in accomplishing all four activities.

The primary objective of target industry analysis is to develop a list of industries which have a moderate-to-strong likelihood of containing companies that might be interested in locating or expanding in the community under study.

Target industry analysis is a potentially powerful tool to enhance and focus the economic development activities. However, the list is sometimes not used to its potential.

The developer can use the list to identify business contacts. Ideally, this will result in an increase in the cost-effectiveness of direct mailings and prospecting trips. The developer can also use the list to identify trade publications for placing advertisements and determining which trade shows to attend. Additionally, the developer can use the list to prepare promotional materials and advertisements with particular industries in mind. If an industry tends to have certain location requirements, the brochure or the advertisement can emphasize how the community meets these needs. Thus, target industry analysis enables economic development professionals to focus their business recruiting resources.

Target industry analysis can also help to understand the limitations of the community as an industrial location. Communities can then address these weaknesses. This is an important by-product of the process. **Target industry analysis is just the beginning of economic development, not the answer to all problems.**

Data and Methods

The data used in this analysis is from IMPLAN Professional, an economic impact assessment modeling system. IMPLAN has the ability to build economic models that will estimate the impacts of economic changes in states, counties, or communities. With this feature, a multi-county region model can be built and analyzed.

The three-step analysis utilized in this project produced two lists; one contains the top 50 community exports and the other the top 50 community imports. This initial sorting is based on the concepts of export enhancement and import substitution.

Target industry analysis considers how communities might refine the list by considering desirability factors. This is accomplished based on the total employment, total employee compensation, and direct compensation per employee of the region, as well as the employment growth rate by industry. For this analysis, employment growth rates were used.

The third feature of this data set is the ability to weight each of the desirability factors and establish rankings specific to the community's needs.

Step One – Community Export Enhancement vs. Community Import Substitution

Community Export Enhancement

Export enhancement is expanding the volume of goods and services the region sells to the rest of the world. To examine export enhancement opportunities, total exports, including domestic and foreign exports, were calculated. The export base of a regional economy consists of goods and service sectors that sell a large portion of their products outside the region. The expansion of an export base industry leads to expansion of local non-basic industries through the "multiplier" or ripple effect.

Community Import Substitution

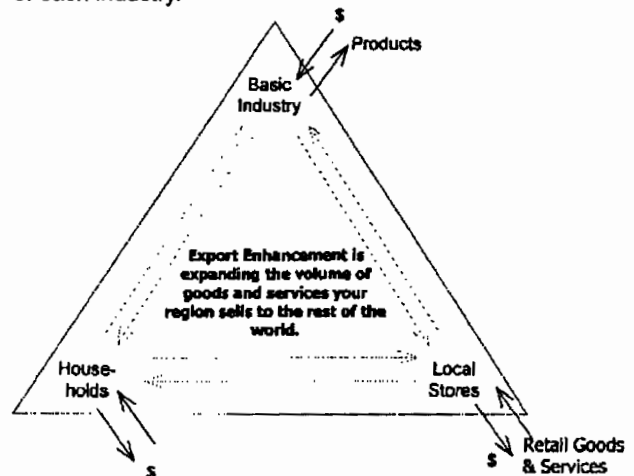
Import substitution is replacing items purchased outside the region with local production. To examine import substitution opportunities, the region's total imports were calculated by taking commodity demand minus commodity supply.

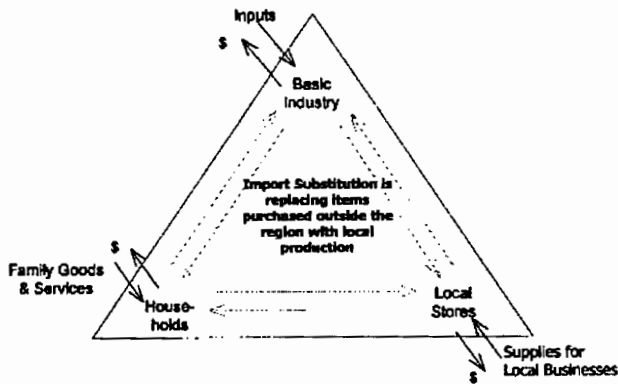
Commodities produced in one region often use goods and services (inputs) imported from outside the region.

When import substitution occurs, economic leaks are plugged, and the ripple effects from a given export base are strengthened.

Step Two – Desirability Criterion

The four desirability criteria were designed to give the community additional information about economic activity. The criteria chosen are total employment, total employee compensation, direct employee compensation per employee, and employment growth rate. By incorporating these criteria into the model, the community can consider 'quality' features of each industry.





Step Three - Weighting System

Each of the four desirability criterion can be weighted based on the needs of the community. The weighted rank is produced by multiplying the rank by a user defined weight factor. To assign or change the weight given to a specific factor, change the weight factor in the corresponding column. The authors have provided a computer database (in Microsoft Access) which allows variations in the weighting factors.

Results

Several regional reports were generated as a result of the PSO project and are available from the authors or PSO representatives. These reports contain the top fifty sectors for a specified region ranked by both level of exports and level of imports. For discussion purposes, this fact sheet utilizes data for Lincoln and Pottawatomie Counties and presents the top ten export sectors and the top ten import sectors (Table 1 and Table 2).

Through the above process, the data were divided into two basic lists of import sectors and export sectors. Each list was then sorted based on the four, equally weighted desirability criterion. Table 1 lists the top 10 export sectors and Table 2 lists the top 10 import sectors.

These lists are provided as a starting point. The authors recognize that some of the sectors listed may not be appropriate for the region, no attempt has been made for further

screening of the lists. An example of an industry that most likely will not fit into the community is the tobacco industry. This sector appears on the list of imports for many regions, however, due to economic, regulatory, and climatic factors, tobacco production is not feasible for Oklahoma. The community should evaluate and refine the list based on research and logic to determine the feasibility of each sector.

Using the database

It is up to local decision-makers to determine how this information will be used to benefit the community. Things to consider include not only the strengths and weaknesses of the industries under consideration but also the strengths and weaknesses of the community.

As mentioned earlier, the target industry analysis is not always used to its full potential. It would be beneficial for communities to explore the many applications of this data in business recruitment and retention. Figure 1 provides steps for community leaders to follow when considering potential use of the "target industry list".

Refining the industry list

Once the community begins to consider the target industry analysis list, a process for considering each industry on the list should be established. Some industries will easily drop out of the list, because they are not feasible for the region. Others will require more research before making a decision. This section will outline some potential methods of considering the target industry analysis list.

One tool for helping in this process is the weighting system. As discussed previously, the weighting system is a feature built into the database to consider the value judgments of the community. The development group can assign a weight to each factor: total employment, total employee compensation, direct compensation per employee, and employment growth rate based on the community's needs.

There are numerous ways to arrive at the values used as weight factors. One method is to allow everyone to discuss the merits of each criterion and vote once for the criterion that he or she feels is the most important. The data base can then be assigned values according to the relative importance to each factor.

Table 1.

1997 Lincoln-Pottawatomie Counties Exports	Exports		Total Employment		Total Employee Compensation		Direct Compensation per Employee		Employment Growth	
	\$M	Rank	Value	Rank	Value \$M	Rank	Value	Rank	Value	Rank
Copper Rolling & Drawing	\$160.60	1	1138	9	\$32.64	5	\$45,143.99	3	3.28%	21
Miscellaneous Plastics Products	\$156.42	2	1884	3	\$54.89	1	\$40,594.06	7	2.96%	24
Fluid Milk	\$110.15	3	994	14	\$21.64	8	\$31,727.13	13	-0.09%	-
Flour & Other Grain Mill Products	\$59.69	4	566	20	\$12.83	15	\$42,738.72	6	-3.76%	-
Natural Gas & Crude Petroleum	\$45.69	5	632	18	\$10.42	19	\$17,314.63	29	-9.32%	-
Eating & Drinking	\$44.83	6	3700	1	\$45.68	2	\$11,720.87	39	2.46%	27
Apparel Made From Purchased Materials	\$31.66	7	558	21	\$10.09	20	\$19,096.99	27	-6.20%	-
Glass & Glass Products-Exc Containers	\$30.21	8	584	19	\$15.82	12	\$33,902.26	12	2.35%	28
Insurance Agents & Brokers	\$29.91	9	1118	11	\$18.37	10	\$16,836.81	30	-0.66%	-
Electronic Components-N.E.C.	\$28.66	10	522	23	\$13.57	14	\$34,301.63	11	5.15%	12

Table 2.

1997 Lincoln-Pottawatomie Counties Imports											
	Imports		Total Employment		Total Employee Compensation			Direct Compensation per Employee		Employment Growth	
	\$M	Rank	Value	Rank	Value \$M	Rank	Value	Rank	Value	Rank	
Wholesale Trade	\$122.88	1	1299	6	\$27.81	6	\$23,752.76	19	3.00%	18	
Dairy Farm Products	\$59.94	2	148	19	\$1.55	25	\$9,200.02	33	-21.81%	-	
Primary Copper	\$55.00	3	0	-	-	-	-	-	1.48%	36	
Real Estate	\$52.89	4	0	-	-	-	-	-	2.44%	24	
Insurance Carriers	\$48.45	5	13	35	\$0.61	29	\$141,848.16	1	1.99%	27	
Hospitals	\$38.28	6	1313	5	\$29.16	5	\$25,054.05	16	1.38%	37	
Communications-Except											
Radio & TV	\$36.41	7	211	17	\$6.12	14	\$42,242.54	7	11.88%	2	
Doctors & Dentists	\$34.03	8	964	9	\$26.88	7	\$36,386.23	9	3.88%	15	
Motor Vehicles	\$33.13	9	0	-	-	-	-	-	2.70%	20	
Miscellaneous Plastics Products	\$30.56	10	1884	3	\$54.89	2	\$40,594.06	8	2.96%	19	

Once the weights are assigned and changed in the database, the "Top Exports" and "Top Imports" reports can be printed. This will show the sectors that have the most data supporting the desirability criterion based on economic activity in the region and the weight factors set by the community. As the community continues refining the list, researching the merits of each industry becomes vital. Other factors, not included in the database, may be very important in considering the target list. Environmental impact, property values, and changes in population are extremely important factors that must be considered.

Before embarking on costly recruiting efforts, the community must realistically assess its strengths and weaknesses.

Community assessment

An important part of the community development process is considering the strengths and weaknesses of the area as an industrial location. Information on assessing the community's advantages and areas of potential improvement is included. A community preparation checklist is provided with this publication to assist the community in determining their level of preparation (Figure 2).

Summary

The target industry analysis has provided a large amount of economic information to help communities set and achieve their development goals. This fact sheet will help communities fully utilize this information. Understanding the structure of the local economy and the development cycle provides communities with a basis for all economic development efforts. Through target industry analysis, communities have been provided a list of industries which have a moderate-to-strong likelihood of containing companies that might be interested in locating in the region. To fully utilize the list, economic developers need to understand the data itself, how it was generated, and why it is useful. The list is not the final step in the development process; the community must refine the list based on many qualitative factors and the community's strengths and weaknesses as a business location.

Figure 1. Targeted Economic Development.

"How To Use The Targeted Industry List"

1. Identify local organization and local contact person.
2. Complete "Community Preparedness Checklist" and confer with community development professionals.
3. Review targeted industry list and confirm region of study.
4. Review targeted list of industries. Do they make sense? Are there any questions?
5. Evaluation criteria include: jobs, wages, wage rates, and employment growth rates. How are these criteria rated?
6. Begin to identify the top 10 industries to focus on for recruitment efforts.
7. Begin to identify the top 10 industries to focus on for retention/expansion efforts.
8. Consider in-depth analysis of these industries. Utilize the U.S. Industrial Outlook and other resources.
9. Build a recruitment program including: target list, marketing material, mail campaign, and personal contacts.
10. Build a retention/expansion program including: visitation, appreciation efforts, expansion needs, and local support.
11. Remember the key role of allies and resources!
12. Build a strategy for development with CARE. Balance optimism with realism and insure that available resources are available.

Figure 2. Community Preparedness Checklist.

This checklist is intended to help community leaders analyze preparedness for development efforts.

Does the community have . . . ?

Yes No

Diversity and Participation

Yes No

- | | | |
|-------|-------|--|
| _____ | _____ | 1. An existing local organization for promoting development efforts. |
| _____ | _____ | 2. Widespread community participation in the development effort representing social/economic segments of the population. |
| _____ | _____ | 3. Public and private sector cooperation. |

Resource Availability

- | | | |
|-------|-------|---|
| _____ | _____ | 4. Adequate resources to support some level of local activity. |
| _____ | _____ | 5. Willingness to invest those resources in local projects. |
| _____ | _____ | 6. An inventory of financing sources available from local, state, and federal agencies as well as the private sector. |

Networks and Information

- | | | |
|-------|-------|---|
| _____ | _____ | 7. Good coordination among local agencies and organizations promoting community/economic development. |
| _____ | _____ | 8. Working relationships with state and federal sources of assistance. |
| _____ | _____ | 9. Support and involvement of the local media. |

Public Infrastructure

- | | | |
|-------|-------|---|
| _____ | _____ | 10. Adequate public infrastructure to support business activities and provide for local quality of life (water, waste water, electricity, natural gas, telephone, roads). |
| _____ | _____ | 11. Community services and facilities to support the needs of existing and potential residents (education, healthcare, recreation, police, and fire). |
| _____ | _____ | 12. A capital improvements plan to inventory existing public infrastructure, services, and facilities that anticipates future needs. |

Human Resources

- | | | |
|-------|-------|---|
| _____ | _____ | 13. A well-trained work force. |
| _____ | _____ | 14. Capabilities to provide training and skills when needed. |
| _____ | _____ | 15. Local leadership with the vision and desire to build a community plan for the future. |