

Perhaps It's Time Economic Development Officials Think Differently And Use A New Approach

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In their ground-breaking 2006 publication entitled ***Revolutionary Wealth: How It Will Be Created and How It Will Change Our Lives***, respected futurists and authors Alvin and Heidi Toffler hypothetically estimate the speed by which the following nine institutions in America have been changing and adapting truly innovative paradigms during the last few years:

1. 100mph – businesses
2. 90mph – non-governmental organizations and other civil societies
3. 60mph – the American family
4. 30mph – labor unions
5. 25mph – government bureaucracies and regulatory agencies
6. 10mph – American school system
7. 5mph – international organizations
8. 3mph – American political system
9. 1mph – the law

It's no surprise that businesses move faster and adapt innovative new techniques faster than any other institution. Simply put, businesses that fail to adapt jeopardize their paychecks and are often unable to keep their doors open. Thus, their very survival depends upon swift and adept change.

For simplicity sake, we will refer to this as the Toffler hierarchy of innovation adaptation. The Tofflers describe their reasoning behind the rate of speed associated with each institution throughout the book's 450 plus pages. Like their earlier works ***Future Shock, The Third Wave***

and ***Powershift, Revolutionary Wealth*** is thought provoking and required reading for anyone involved in one or more of the nine institutions.

In today's hypercompetitive global Creative Economy, stimulating a discussion and debating the adaptation of innovative solutions is a critical and necessary first step towards growth and success. One place where this discussion is necessary is in economic development agencies that fall under the category of government bureaucracy crawling along at 25mph.

Economic development officials are under intense pressure to accomplish an ever increasing number of varied objectives. Business development, tourism, employee training, educational programs, commercialization support, technology based economic development, marketing and strategic planning are just some of the functional areas in which officials have to produce results. Unfortunately, as the hierarchy suggests, economic development agencies and other government bureaucracies designed to sustain growth have failed to keep pace with the innovations occurring in businesses and non-governmental organizations as the Creative Economy has emerged during the last few years.

There are several explanations as to why economic development officials are moving so slowly to adapt innovative solutions. The one explanation that this article will focus on is the intersection of two completely different theories colliding with a well entrenched old economy approach to economic development.

The two prevalent theories of economic development include:

1. Flatworlders – represented by Thomas Friedman, author of ***The World Is Flat***
2. Creative class types – represented by Richard Florida, author of ***The Rise of The Creative Class***

The flatworlder theory suggest that telecommuting, instant messaging, emailing, videoconferencing, outsourcing and off-shoring enable creative individuals at all levels to compete on a level playing field. According to this theory, geography is not a barrier to collaboration or accomplishing business objectives. Increasingly complex tasks in medical, legal and other industries are being outsourced. Thus, where one sits in the world doesn't matter because everyone has access to the same technological tools and information. As Friedman put it, "When the world gets this flat, when so many people have this much productivity and this many distributive tools of innovation and collaboration..whatever can be done will be done."

Contradicting Friedman's flatworlders are those endorsing the creative class theory. Creative class types suggest that while people around the world may have access to the same tools and information, they are at a disadvantage if they live in some rural part of a state or country. Cities, they argue, continue to exert a special gravitational pull as centers of creativity and innovation. Not all cities are created equal, however, as Florida maintains that only a few account for innovative development. As Florida said "The world is not flat...there are two dozen spike (creative) places in the world that account for 98% of innovation."

It's important to note that both are theories. Much like the Toffler hierarchy of innovation adaptation, both theories need more time to elapse before either one can claim supremacy over the other. Nevertheless, both the flatworld and creative class theories collide head on with the old economy approach to economic development which can be summed up in one word – planning.

Simply put, economic development officials tend to spend tremendous amounts of money, time and resources planning or developing some type of research report. It's not unusual, for example, for an economic development agency to pay over \$100,000 for a market research

report or strategic plan. Such planning follows a very traditional approach where by an economic development agency issues a Request for Proposal (RFP). All too often, the officials issuing these RFPs not only tell vendors what they want they also tell them how they want their issues solved.

Thus, with the flatworlders on one side and the creative class theory on the other side, how can economic development officials even begin to know which one to subscribe to? If they follow the old economy approach of telling prospective vendors what their issues are and how they want those issues addressed, then economic development officials do indeed need to decide if they are flatworlders or creative class types. Since both sides continue to contradict one another, it will be quite some time before any large scale agreement can be made among economic development officials in any given area. Subsequently, their rate of speed on the Toffler hierarchy of innovation adaptation will continue to crawl along.

However, if economic development officials want to speed up their *Toffler hierarchy of innovation adaptation rate*, then they would best be served by incorporating an entirely new approach to economic development. Such an approach would follow the Open Innovation business model that so many research and development based companies have utilized over the last four years.

Instead of telling prospective vendors what their issues are and how they want those issues addressed, economic development officials using this new approach would only state their issues and then request possible solutions.

This new approach to economic development will allow officials to:

- Reduce the tremendous amounts of money, time and resources they spend developing RFPs and ensuring vendors match each selection criteria
- Consider creative and innovative solutions that address their issues
- Quicken their pace of economic development
- Enhance the quality of life for the people and businesses within their community

This new approach to economic development will empower communities with action, not just a plan. By sending out a RFP that only explains issues facing a community, the economic development agency will receive proposals from vendors that can address those issues – not just write up a plan to address them. Additionally, by allowing prospective vendors to submit creative solutions, this new approach to economic development will empower officials with a variety of innovative choices to consider.

If you are wondering if this innovative approach would work, it already is in other parts of the global economy. Called Open Innovation, companies all around the world are realizing that they can develop optimal solutions to their business problems by posting their issues or research questions for the broader community to answer. This is readily seen on a number of websites; with www.innocentive.com as just one example. On such sites, business challenges such as research or design issues or manufacturing questions are submitted and solution providers from around the globe then submit solutions. Economic development officials could address the challenges facing their communities in the same manner.

Using such an approach is likely to generate real innovation in the methods that communities use to improve their economic base. As the size of the available workforce shrinks and businesses look to move offshore more than to shift around inside the United States, those communities that embrace new strategies to cultivating their local talents will have the strongest economies. Following old methodologies and using time tested approaches in a changing world is a recipe for disaster. Taking a solution based approach to economic development allows officials and their communities to stay current with today's hypercompetitive and fast-paced global Creative Economy. Staying with the traditional old approach will continue to leave officials confused between the flatworlders and the creative class argument. Perhaps its time officials think differently and use a new approach to economic development.
