

Why It Is Necessary To Rethink Economic Development Now: Stop Planning and Start Innovating

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For years, economic development officials have been driven to develop strategic plans for their regions. These plans usually came in the form of a 200+ page report written by outside consultants with input from the various local stakeholders involved in the region and require several months and \$75,000 to \$150,000 to create. Unfortunately, they more often than not are only intermittently implemented and then placed on the shelf in the economic development office that sent out an RFP for it in the first place. When several years have passed there is often little, or no, substantial development that actually takes place. This dependency on using external consultants, spending tens of thousands of dollars and taking months to write strategic plans is not leading to the results that such an effort warrant. The process is simply not producing what American cities and states need to further develop their economies. In short, this old economy model of economic development has failed to ignite substantial progress at the local or state level.

Over the past two decades, the U.S. has fallen behind in terms of global competitiveness in many areas while American cities and states are failing to keep pace with global economic changes. If the U.S. is to retain its competitive advantage over other countries in today's Creative Economy, officials need to rethink their approach to economic development by focusing on innovation rather than planning. This does not mean that all planning should stop since action without a plan will not lead a community to where it wants to be. Rather, the way communities are planning needs to be changed as leaders must rethink how they can translate their community's vision into reality.

If there is any one clear indicator that the time-absorbing strategic planning approach that U.S. economic development officials used in the past is not an effective tool for the future it can be found in the World Economic Forum's September 2006 *Global Competitiveness Report*. The *Report* dropped the U.S. from first to sixth in its ratings of national competitiveness. While U.S. states were spending tremendous amounts of time writing strategic plans and debating on how to implement their findings, other countries initiated innovative measures. The five countries that expedited their planning in order to spark innovation and who jumped ahead of the U.S. on the *Global Competitiveness Report* were: Switzerland, Finland, Sweden, Denmark and Singapore. According to this report, "Technological advances have created new opportunities for businesses against the background of an increasingly complex global economy, while reductions in the cost of transport and communication are making location less important, spurring companies to move operations to lower cost environments. This, in turn, has made governments far more sensitive to the need to create a friendly business climate, supportive of private sector activity."ⁱ

In response to the U.S. slippage, the National Governors Association (NGA) published a report on March 16, 2007 entitled *A Call To Action: Why America Must Innovate*. According to the report this lackluster performance of the U.S. on the *Global Competitiveness Report* "demands that we rethink how to induce the economy to grow and create good jobs and, from the perspective of governors, reconsider how the states participate in that process."ⁱⁱ It is important to note that the NGA defined innovation "as the process by which new ideas enter the economy and change what is produced, how it is produced and the way production itself is organized."ⁱⁱⁱ

So exactly how can officials stop spending so much time planning, create a friendly business climate, spur innovation and allow new ideas to enter their local economy all in the hopes of jump starting economic development? The answer lies in understanding that the dynamics of today's Creative Economy are different than in the past. Today's Creative Economy is marked by innovative technological advancements enabling global mass communication networks to transfer substantial amounts of information in real-time while allowing for wide-spread collaboration and the mass customization of products and services leading to an overwhelming amount of choice and control by individuals. Somewhere during the 2003-2004 period, the Information/ Knowledge Economy of the 1990s gave way to today's Creative Economy. As author Daniel Pink noted in 2005, "We are moving from an economy...built on the logical, linear, computer like capabilities of the Information Age to an economy...built on the inventive, empathic, big-picture capabilities of what's rising in its place – the Conceptual Age."^{iv}

Economic Development officials need to understand the impact of increases in the information exchange rate during the past few years as the Creative Economy has unfolded. The amount of time required to transmit information today via text, video or audio, from one person to another has been reduced to seconds or even "real-time" (as it is happening). The advent of high-speed internet access, wifi internet access and mobile technology have all helped spark a more dynamic collaborative economy than in years past. Additionally, with one-third of the world's population having a cell phone, it is clearly the most interconnected global society in recorded history. As *Fast Company* recently noted "Unbounded email...and cell-phone communications have turned civil society into an anarchic, free-fire zone of ceaseless incoming messages, stealing our time and invading nights and weekends. The volume of electronic messaging keeps mounting – without rules, limits or traffic lights."^v

In addition to the speed by which information is exchanged, economic development officials also need to understand that the amount of information has also substantially increased as the Creative Economy continues to develop. There is so much information being produced by so many people and distributed through so many different mediums that it is simply impossible to keep up with it all in the Creative Economy. In their book, *Revolutionary Wealth*, authors Alvin and Heidi Toffler coined the term “obsoledge” to describe how today’s “knowledge has a limited shelf life...and...changes so rapidly that more and more new knowledge has to be learned both on and off the job.”^{vi} The Tofflers also noted that “whether they are aware of it or not, companies, governments and individuals today base more of their daily decisions on obsoledge...than ever before.”^{vii}

Economic development officials need to stop expending limited resources on plans that do not improve their region’s ability to innovate. In order to do this they need to rethink the way they have been trying to accomplish economic development for the past 20 years. In the words of the Tofflers, “To deal with today, therefore we need not only new knowledge but new ways to think about it.”^{viii} The only way economic development officials can begin to rethink their process is to recognize that the Creative Economy exists, understand the accelerated information exchange rate and realize the burden of obsoledge. And if economic development officials absorb these lessons, what then?

MEAPA has several suggestions to help economic development officials become, in the words of the National Governor’s Association, “innovative and let new ideas enter their economy.” First, they need to push their stakeholders to collaborate on a much higher level than they currently do. New technology permits a variety of collaborative efforts across industries that can lead to growth. Web based applications categorized as Web 2.0 can impact product development, marketing, sales, process efficiency, project management, and many other aspects of businesses. Empowering regional companies to use these tools is a critical step toward innovation.

Perhaps the most important example of how economic development officials can be innovative is to empower the creative mass that exists within their area of responsibility. Since the majority of economic development comes from maximizing the businesses within an economic development region, a concentrated effort should be made to enhance the skills and capabilities of those businesses. Training seminars and commercialization support and assistance programs should be a vital and integral component of every economic development policy. Money used to hire planners would be better served providing training to existing companies and entrepreneurs on using Web 2.0 tools, collaboration, and effectively competing in the global economy.

Attracting companies to a region can be enhanced with such local support for existing businesses. Such assistance can be touted through the use of a descriptive and compelling story that answers questions such as “why should I invest in...?” or “why should a business locate in...?” Creating connections within existing industry sectors will also compel companies to come to your community where a network of industry-specific support exists.

Employing the use of collaborative tools, providing training and marketing such support are just three examples of how economic development officials can start to innovate. The plan of action for this approach can be drafted in a matter of days for local stakeholders. As *Call To Action* pointed out, “Innovation depends on reinventing strategies, products and processes and creating new business models and new markets. It is about selecting the right ideas and executing the business strategy quickly and efficiently.” Today’s Creative Economy demands economic development officials stop taking so much time to plan and innovate instead.

ENDNOTES

ⁱ World Economic Forum's September 2006 *Global Competitiveness Report*. To download a pdf of the Executive Summary, go to http://www.weforum.org/pdf/Global_Competitiveness_Reports/Reports/qcr_2006/qcr2006_summary.pdf.

ⁱⁱ National Governors Association, *A Call To Action: Why America Must Innovate*, March 16, 2007. For a pdf of the report go to <http://www.nga.org/Files/pdf/0702INNOVATIONCALLTOACTION.PDF>.

ⁱⁱⁱ Ibid.

^{iv} Daniel H. Pink, *A Whole New Mind: Moving from the Information Age to the Conceptual Age* (2005)

^v *Fast Company*, December 2006/January 2007.

^{vi} Alvin and Heidi Toffler, *Revolutionary Wealth: How it will be created and how it will change our lives*, Alfred A. Knopf, 2006, p. 111.

^{vii} Ibid.

^{viii} Alvin and Heidi Toffler, *Revolutionary Wealth: How it will be created and how it will change our lives*, Alfred A. Knopf, 2006, p. 146.