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How to prepare an economic development action plan for your community : prepared by Dennis G. Colie ; commissioned by Florida Economic Development Council

Dennis G. Colie

University of South Florida. Center for Economic Development Research

Florida Economic Development Council

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How to Prepare an Economic Development Action Plan for Your Community

Prepared by

The Center for Economic Development Research
College of Business Administration



Dennis G. Colie, Ph.D.

USF Downtown Center, 1101 Channelside Drive, Tampa, Florida 33602
Telephone (813) 974-CEDR or e-mail cedr@coba.usf.edu

Commissioned by
Florida Economic Development Council



502 East Jefferson Street
Tallahassee, Florida 32301
Telephone (850) 222-3000 or fax (850) 222-3019

FOREWORD

The University of South Florida's Center for Economic Development Research (CEDR) was commissioned by the Florida Economic Development Council (FEDC) to create this educational module titled "How to Prepare an Economic Development Action Plan for Your Community."

The module is designed as a four-hour lesson. The first hour is an introduction for which text and a supporting power point presentation are included. The introduction is to be followed by a two-hour directed case study. The module includes two case studies, one with a rural setting and another with an urban/suburban setting. The instructor, as appropriate to the community, can use either case study. The fourth hour is a presentation of case study solutions by the students and a critique of the proposed solutions by the instructor.

Questions, comments, suggestions, or corrections concerning the content of this educational module may be sent to Dr. Dennis G. Colie, CEDR, 1101 Channelside Dr., 2nd Floor N., Tampa, FL 33602 or to dcolie@coba.usf.edu by e-mail.

Dennis G. Colie, Ph.D.
Associate Director/Economist
Center for Economic Development Research
College of Business Administration
University of South Florida

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How to Prepare an Economic Development Action Plan for Your Community.

The future economic vitality of communities is less a function of resources and geography and more a result of sound strategy and strong leadership.

Kolzow 1998, page 1.

Introduction to the Economic Development Action Plan.

An economic development action plan is a strategic blueprint for getting from where you are now to where you want to be. The plan outlines how you are going to get there. The strategic plan is a coherent series of political and economic actions designed to get you where you want to be when you want to be there.

An axiom of classical economics is that all resources, including one's time, are scarce. Hence, an objective of strategic planning is to allocate limited community resources and to establish priorities of action within a community. Strategic planning can be beneficial to the economic development organization as well by guiding a more efficient use of personnel and a more productive application of available financial resources.

An economic development action plan is a long-term strategic plan; it is not intended as a plan for putting out the "fires" that erupt from time to time within any on-going political or institutional process. It does, however, offer an added benefit of providing a previously defined path to deviate from, if short-term exigencies force a detour. Likewise when crisis management has been applied to the "fire" and it is time to get back on track, the original path to attain long range objectives may be resumed.

Ideally, the formulation of an economic development action plan includes participation by all of a community's diverse stakeholders. But who typically initiates the planning process? Usually it is an economic development professional, chamber of commerce executive, city manager, or someone in a similar position, who will provide the initial impetus (Kolzow, 1998).

However, before the formulation of goals and strategies begins there are two critical steps that must be accomplished, if the plan were to have a chance at succeeding. First, the economic development (ED) professional, who is initiating an action plan, needs to obtain the support of the community's leadership. In most communities, the leadership resides with elected officials. Hence, it is incumbent upon the ED professional to foster a line of communication with elected community leaders. The best way to do this is through personal contact, if possible, but at a minimum a periodic report of the community's ED status should be sent to all of the community's elected officials. Ideally, the ED professional obtains the support of elected leaders before beginning the process of formulating the goals and strategies of the community's ED action plan.

Second, the ED professional should also secure the support of other (non-elected) influential community leaders. Other influential community leaders may include business people, clergy, educators, bankers, representatives from the area's utilities, local government service providers, members of the media and civic-minded volunteers. (See Estes 1999.) The ED professional must identify and communicate with these key leaders in order to gain their commitment for the community's action plan. Personal contact, letters and reports, and workshops are methods of reaching influential community leaders.

Albertson (1999) suggests a team process that includes "three essential supportive participants." His supportive participants are a "core team" that begins the process for developing the action plan, a "champion" or "sponsor" to keep the process moving when obstacles are encountered, and a trained facilitator to guide the process using group facilitation techniques.

What if there is little enthusiasm among elected officials and other influential community leaders for a local ED action plan? Presuming that ED professionals have made a strong effort to obtain commitments toward the strategic planning process, the process should be halted. It makes no sense to expend time and other scarce resources when there is minimal likelihood that a community ED action plan could be successfully implemented.

When there is support for a local ED action plan, the next step is to harness that support. A way to maintain and benefit from the support already generated is to form an advisory board of elected officials and influential community leaders, or their designated representatives. The board should meet frequently, at least monthly, during the process of formulating ED goals and strategies. The objective for forming the advisory board is to keep the community leadership informed about progress in the creation of the plan and to solicit the board members' ideas about the contents of the plan. People are more apt to perceive that they have a stake in the plan when the plan reflects their own views. The ED professional should strive to create the environment in which elected officials and influential community leaders have a stake in the ED action plan. That is, they *truly* become stakeholders in the community's economic development.

(Concurrent with the generation of stakeholders' support for a strategic action plan, the ED professional undertakes a systematic analysis of the economic development needs of the community. "How to analyze the economic development needs of your community" is another module in this Florida Economic Development Council educational curriculum.)

By definition, an ED action plan is a *long-term* strategic plan. But, what is a long-term time horizon? We recommend that, at a minimum, a plan's time horizon encompass a full budget cycle of the community's municipal government. In this case, the time horizon should also coincide with the municipality's fiscal year. If a budget planning cycle were one year ahead of the spending cycle, then the minimum time horizon of the ED action plan would be two fiscal years.

More often, however, a longer time horizon than two fiscal years may be desirable. This

is because strategies for achieving certain goals might logically extend beyond two years. Moreover, the recreation of a new ED action plan every two years might be deemed economically inefficient. However, a very long time horizon could pose problems of its own. For example, support for the plan from the community's elected and other influential leaders can be expected to wane as incumbents are replaced and new community needs are perceived. Hence, we recommend that, at a maximum, a plan's time horizon not exceed five years.

Firms create competitive advantage by perceiving or discovering new and better ways to compete in an industry and bringing them to market, which is ultimately an act of innovation.

Porter, 1990, page 45.

Formulating Goals and Strategies.

Goals and strategies work together. Goals are clearly defined objectives to be achieved over the time horizon of a strategic plan. Strategies are ways and means for achieving the goals.

The process of formulating goals and strategies begs the question of the role of economic development in a local community. Broadly conceived, the role of economic development is to enhance and exploit the community's competitive advantages for raising the well-being of its people. The underlying economic construct for increased community well-being is increased productivity.

An ED organization (and government) can hasten or increase the chances of competitive advantage, but lacks the power to create advantage itself. It is a community's private sector businesses that create competitive advantage by perceiving or discovering new and better ways to compete in their industry and bringing their ideas to market (Porter, 1990).

Thus, the role of economic development is to help businesses to increase productivity. There is a wide range of policies which affect productivity and in which an ED organization (and government) may play a helpful role in increasing private sector productivity. Goals and strategies that relate to these policy areas are properly included in the ED action plan. The local areas of economic development interest include 1) education policy, 2) tax and incentive policy, 3) health care policy, 4) regulatory (permitting) policy, 5) environmental policy, and 6) municipal budget and spending policy.

There are alternatives for designing an economic action plan for the community. First, a plan may proceed directly from identified ED needs to the strategies to satisfy the needs. Or, second, intermediate goals, which lead up to the satisfaction of a need, may be established in the plan. Thirdly, performance measures, such as average wages or educational attainment, may be defined and used as a guide for proceeding toward satisfactorily achieving a community's ED needs. These alternatives are not mutually exclusive and may all be incorporated into the strategic plan where appropriate.

It will often be the case that the resources necessary for attaining all of the identified ED

needs will exceed available resources. One solution is to attempt to obtain additional resources. The plan should include intermediate goals for obtaining those resources. However, a common pitfall in strategic planning is over-optimism. While a positive, optimistic outlook is essential to every development process, over-optimism can lead to disillusionment and loss of community support for the ED action plan. When obtaining additional resources is not pragmatic, the solution is prioritizing.

Necessarily, prioritizing a community's ED needs means that goals for satisfying some needs will be established within the time horizon of the strategic plan, while the satisfaction of other needs will be postponed until later.

Another facet of prioritizing a community's ED needs is called "targeting." For example, a community may wish to attract new businesses to relocate into its area. But a goal of simply "attracting new businesses" is overly broad and could lead to squandering scarce resources while attempting to attain the goal. Instead, the ED action plan should *target* specific industries or industry-clusters in which the community has a competitive advantage over other communities. For example, a rural community with a thriving agricultural industry may target food processing and packaging plants to relocate closer to the source of inputs for their production processes.

There should be a nexus between the goals and strategies in an ED action plan. The goals and strategies in the plan must satisfy the following tests in order to ensure that they do not function at cross-purposes during implementation of the plan.

- They provide unambiguous guideposts for day-to-day decision making within the community's ED organization.
- They clearly delineate the collaboration and shared responsibilities among the community's various organizations, including the ED organization.
- They provide readily observable measures of success and/or target dates for completion when apropos.

When setting goals and devising strategies, it will often be helpful to review why an identified ED

Planning incorporates the past, considers issues of the present day, and becomes a catalyst for the future.

Hodges 1999, page 2.

need exists in the first place. A review helps to ensure that the goals and strategies really address what needs to be done. Kolzow (1998, pages 22-24) suggests the following steps.

1. Clearly identify the need in terms of Who, What, When, Where, and Why. It is important to fully understand an ED need before trying to plan goals and strategies to satisfy that need.
2. Brainstorm and/or research the *root causes* of the need. Do not confuse effects with causes. An effect is a symptom or manifestation of a cause. Goals and strategies should address causes, not effects.
3. Determine the barriers or impediments to addressing the causes for an ED need. Common barriers include lack of funds, obsolescent assets in place, inadequate research, or not understanding the community's strengths and weaknesses.
4. Engage the community's leadership, with assistance from ED professionals, to generate a list of specific actions, i.e. possible strategies, to remove or modify barriers causing an unfulfilled ED need.
5. Evaluate and select specific actions. The evaluation is an assessment of an action's potential for success. A question to ask is whether the community and its ED organization can implement a particular strategy within the time horizon of the plan. The evaluation may also involve estimating the economic impact and/or a cost-

benefit analysis for each alternative action.

Although the preponderance of the ED professionals' efforts is spent identifying goals and strategies, as well as fostering a consensus among community leaders that the right goals and strategies have been selected, ultimately the ED action plan for the community must result in a document. What should that document contain? One answer to this question is: not too much. A common pitfall of a community ED action plan is that it becomes too voluminous. The temptation is often to try to include everyone's editorial perspective so as not to offend anyone. If the document becomes ambiguous or boring it will not fully serve its purpose as a strategic blueprint. With that cautionary note, as a minimum, the ED action plan should include the following:

- As an introduction to the plan, include a *vision statement*. A vision of the community is an idealized image of how the community may look in the future. Typically, the vision is the motivation for the community's leadership to support the ED action plan. Although the vision statement should be brief, the wording, which expresses that vision, should evolve during advisory board meetings as a consensus among the community leaders. (Kolzow, 1998, presents a sample vision statement. See Appendix A.)
- List each *goal*. The goals may be intermediate goals or final goals.
- Describe the *strategic action* for reaching a goal. Strategies should be clearly stated, but refrain from overly restrictive statements of strategy. The description of a strategic action should leave room for flexibility in the implementation of a strategy.
- Assign a *responsible agency* for implementation of a strategy. The assignment of the responsible agency assumes a clear and specific commitment on the part of the agency for carrying out the strategy. Here we define an agency as a community organization, which is usually a governmental agency or other not-for-profit organization. However, the agency may also be a commercial entity that agrees to partner with the community for implementing a particular ED strategy. Avoid assigning an ad hoc committee or other temporary organization, which is usually without a budget or full-time staff, for implementation of a strategy. Temporary organizational forms tend to dissolve or become ineffective before a strategic action can be completed.
- Indicate the *allocated funds* for carrying out a strategic action. Sometimes the amount of funds required to complete a strategic action may be uncertain. In such case, an intermediate goal may be appropriate in order to estimate the required funds. Also, it may be the case that an estimate of required funds is at hand, but the source of the funding has not been established. Again, an appropriate intermediate goal may be to decide on a fund-raising approach. Do not indicate an allocation of contingent funds in the community's ED action plan. Contingent funds are monies that will become available only if certain other events occur before the funds become available.
- Include detailed *work plans* submitted by responsible agencies in the ED action plan. While the description of a strategic action is designed to provide the responsible agency flexibility of implementation, the responsible agency needs a plan that focuses on specific tasks. A work plan schedules tasks and associates resources, such as staff and funding, with the scheduled tasks. The ED professional should encourage and assist, if needed, a responsible agency to develop a work plan. Work plans should be appended to the body of the community's ED action plan.

Plan Evaluation.

After the plan is implemented, the evaluation the community's ED efforts is a continuous process. The evaluation has three dimensions: 1) monitoring progress, 2) assessing performance, and 3) determining the level of impact (Kolzow, 1998). Normally, the ED professional, who initiated the community action plan, assumes responsibility for periodic plan evaluation during its implementation phase.

Monitoring tracks the current status of tasks listed in a work plan. The current status of a

task can be measured according to a time schedule for completion and/or the percentage of funds allocated to the task that have been expended. The more detail in a work plan, the easier it is to monitor progress toward achieving the tasks listed in the work plan.

The ED professional's *performance assessment* is a periodic appraisal of the effectiveness of a responsible agency in meeting the objectives of its work plan. The performance assessment is based on the results of monitoring the current status of tasks in the work plan. A monthly written performance assessment from the ED professional to the responsible agency is the norm.. The performance assessment is not intended as a rating of the job performance of individuals, but rather it is intended as a professional judgment of results achieved, or not achieved, by the responsible agency. It is critique for highlighting accomplishments and identifying tasks requiring additional effort. Some of the questions that the performance assessment might address include: What is working and what is not? What can be done to improve the process? Is the agency responsive to queries from interested parties and prospects? Have communications between the agency and others involved in the process been effective?

Finally, the residents of the community, and their leaders in particular, should be informed of the *level of impact* of economic development on the community. Determining the level of impact and then informing the community of that impact is usually an annual project. (If the size or scope of the community's ED action plan is very large, a semi-annual determination of impact may be more appropriate.) The level of impact may be measured over a specified time period and reported in terms of the following variables:

- hours spent by responsible agencies to implement the action plan,
- money spent to activate the plan,
- number of prospects contacted,
- number of businesses attracted to the community,
- number of new business formed within the community,
- number of jobs gained in the community,
- change in the local unemployment rate,
- change in median (or average) inflation-adjusted, real income of local households, and
- change in the community's commercial real estate occupancy rates.

The above list of variables measuring the level of impact is not all-inclusive, but rather suggests some measures commonly reported. The ED professional should select measures that are compatible with the goals and strategies of the community's action plan. Further, it is usually the responsibility of the ED professional to gather the data and prepare the level-of-impact report for the members of the community. In addition to the "raw" numbers, the ED professional should interpret the numbers and make a statement of accomplishments in the impact report.

Lastly, the ED professional should present the impact report to the community, and in particular to the elected and non-elected leaders who have a stake in the ED action plan, at a public forum.

Summary.

Goals are clearly defined objectives. Action planning develops rational and realistic strategies for attaining the goals. Assigning responsibilities for the implementation of the plan is

also a part of the action planning process. An action plan inevitably requires cooperation among community leaders, representing both the public and private sectors of the economy. The process of preparing an ED action plan for your community promotes public/private cooperation in a common cause. The common cause is usually presented in a vision statement at the introduction to the action-planning document.

The community's ED professional initiates the planning process. Throughout the process, publicizing proposals, as well as accepted goals and strategies that evolve from the planning process, helps to educate and unite the community for meeting its ED needs. The involvement of many responsible agencies for implementing strategies creates widespread support for the action plan by bringing together the community's diverse stakeholders in this joint endeavor.

The principles for preparing an economic development action plan for the community are straightforward, but are not always easy in their application. Frequent problems encountered in the planning process are shown in the Appendix B. In order to practice the application of the planning principles, this lesson includes a directed case study.

Appendix A

Sample Vision Statement

It is the year 2005. The Centralia area has gained recognition nationally as a unique community that combines a central location in the Midwest with an attractive and inexpensive quality of life. The cooperation and coordination of local government and development organizations is a model that is envied by other communities in the region. Leadership throughout the community works together to continually improve the local working and living environment.

The Centralia community continues to attract a diversity of businesses and industries, resulting in a low unemployment rate. The skilled and educated workforce is able to find a wide range of quality job opportunities. Attractive industrial sites are continually developed in anticipation of new occupants, particularly along U.S. Highway 51 south of the city. The downtown is economically sound and attractive, and is a growing center of retail, social, and recreational activity.

The on-going development of U.S. Highway 51 as a four-lane divided highway has further expanded access to and from the community, improving Centralia's central location. Local traffic flows smoothly due to the construction of an overpass over the Norfolk Southern rail line and other road improvements. The local water supply was expanded to meet the future needs of both residents and industry.

Centralia continues to be a place to live, learn and play. Its friendly, attractive, clean, drug-free, and safe environment is appreciated by residents and visitors alike. Educational resources are excellent from kindergarten through the post-secondary institutions, meeting the diverse career and workplace needs. The regional medical center in the community provides quality health care. New apartments, middle-income subdivisions, and executive-level neighborhoods provide affordable housing for all existing and prospective residents.

(Kolzow, 1998, page 15.)

Appendix B

The following is a list of frequent problems encountered in the strategic planning process extracted from Kolzow and Swager, 1999.

- Failure to involve a broadly representative cross-section of the leadership;
- Not involving the general public in a meaningful way;
- A misunderstanding of the strategic planning process resulting in inadequate or inappropriate design;
- Too much time and effort spent on visioning;
- No clear identification of priority issues (needs, concerns, problems, opportunities);
- Wish lists of action items that do not effectively address the key problems;
- Failure to assign actions to appropriate organizations for implementation;
- No means for evaluating performance and progress so the process can be appropriately adjusted;
- Lack of commitment to keep the process going beyond the initial effort.

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