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Small Towns, Big Ideas: Local Ingredients for Innovation in Rural Economic Development

The economic and fiscal challenges facing many communities in the United States have made economic development professionals and public officials anxious to discover strategies that stimulate private investment and create jobs. The interest in identifying the ingredients for successful or innovative economic development is especially pronounced among those representing small towns.

Many small, rural communities find themselves on the losing end of globalization and economic transition. Yet, some manage to bounce back from economic decline and create a renewed prosperity. What are the characteristics of those places that manage to achieve economic revitalization under the most difficult of circumstances? What approaches and strategies do successful small towns tend to rely on in building their local economies?

This report briefly examines the challenges of small town revitalization in the context of lessons learned from a recently completed compendium of 45 case studies of small town development efforts around the U.S. (Lambe 2008). Specific examples of communities facing challenges and implementing innovative approaches to rural development, many of which will be referenced in this report, are available online (www.cednc.unc.edu/stbi).

The conventional wisdom is that the lack of resources—financial, human, technological, and physical—in small communities constrains their options and severely limits the capacity to do much in terms of economic development. In a common scenario, small towns feel victimized by forces beyond their control and passively wait for external assistance in the form of expected state or federal funds.

However, the small towns profiled in our case study research followed a decidedly unconventional path. They were motivated to take matters into their own hands and seize control of their destiny. They looked inward to find assets and strengths to build on in charting a new course. In the quest for an approach that works, they innovated and tried new economic development strategies. In this sense, the challenges of being a small community with limited resources led to innovation out of sheer necessity and determination. This scenario suggests that the special circumstances of small towns might require an approach to economic development that is qualitatively different from the traditional model.

New Ways of Doing Economic Development

The traditional approach to economic development has emphasized recruiting branch plants of major corporations by offering tax and financial incentives. Usually, alternatives to industrial recruitment promote indigenous or “home-grown” sources of development rather than focusing primarily on attracting external investment. The emphasis is on growing from within, yet the new approaches recognize that securing private investment from elsewhere is more likely by building on a strong foundation of local assets. The alternative

approaches often require communities to form new organizational structures, devise creative financing mechanisms, and work more collaboratively with other entities.

The case studies from “Small Towns, Big Ideas” allow us to determine how small communities can employ the alternative approaches to economic development. The collection of case studies profile communities that stretch from Oregon to southern Georgia and range in size from Chimney Rock in North Carolina with 175 people to Helena-West Helena in Arkansas with 15,000 people. The new approaches used by the case study communities include economic gardening, place-based development, creativity and talent cultivation, and innovative industrial development (Table 1).

Economic gardening is a specific entrepreneurship-based approach to economic development pioneered by Littleton, Colorado, in 1989 (City of Littleton Economic Gardening Program 2010). Over time, as other communities have adopted various parts of the Littleton approach, economic gardening has become a program of entrepreneurial development activities that includes information (business and market intelligence), infrastructure (physical, quality of life, intellectual), and social capital (connections and networking) (Federal Reserve Bank of Atlanta 2008). The general theme of gardening is to “grow your own” by cultivating local entrepreneurs and small firms and by creating an environment that supports their growth.

Small towns that pursue economic gardening approaches tend to have a range of programs and resources to support entrepreneurs and small businesses. Brevard, North Carolina, for example, provides mentorship, technical assistance, and networking opportunities to local entrepreneurs through a formalized network of retired business executives. Fairfield, Iowa, provides workshops and networking venues for local entrepreneurs. Leaders in Fairfield also cultivate angel investment networks to support new business ideas in the community.

Placed-based development incorporates strategies that capitalize on the distinctive and special characteristics of a particular place. Such characteristics typically include natural and environmental attributes that support “amenity-led” development strategies such as tourism, recreation, and retiree attraction (Green 2001; McGranahan 1999). Place-based development goes beyond natural/environmental amenities and can turn a community’s cultural heritage, arts/crafts traditions, and specialized infrastructure into economic development assets.

Downtown revitalization is often a critical component of place-based development. Nelsonville, Ohio, for example, focused a tremendous amount of energy and resources into revitalizing and reoccupying downtown properties in order to attract new visitors and investments. The approach to development in Big Stone Gap, Virginia, involves encouraging the development of small businesses to capitalize on the area’s “place-based” resources, including the natural landscape (biking, hiking, other outdoor recreation) and its cultural assets (Trail of the Lonesome Pine).

Creativity and talent cultivation involves fostering an environment that is conducive to creative ideas (innovation), people, and enterprises; increasing the pool of knowledge workers; equipping people with higher-order skills; and preparing people for community leadership. Richard Florida’s (2002) influential work on the “creative class” underscores the importance of being an attractive location for the talented and highly educated segment of the workforce that seeks the good life in terms of recreational opportunities, entertainment, cultural experiences, and other community amenities.

Applying the specific creative class concept to rural areas is less useful than thinking about creativity and talent more broadly as key assets for rural development. The rural community of New York Mills, Minnesota, for example, hosts an artist in residency program to attract talented artists who are provided with accommodations in exchange for a commitment to civic participation through teaching and mentoring

Table 1. Alternative Economic Development Approaches in Selected Communities

Case Study Communities	Economic Gardening	Place-Based Development	Creativity and Talent Cultivation	Innovative Industrial Development
	Big Stone Gap, VA	Ayden, NC	Allendale, SC	Cape Charles, VA
	Douglas, GA	Bakersville, NC	Colquitt, GA	Douglas, GA
	Elkin, NC	Big Stone Gap, VA	Douglas, GA	Etowah, TN
	Fairfield, IA	Colquitt, GA	Elkin, NC	Farmville, NC
	Ord, NE	Columbia, NC	Fairfield, IA	Ord, NE
	Siler City, NC	Dora, OR	Helena, AR	Oxford, NC
	Spruce Pine, NC	Etowah, TN	New York Mills, MN	Reynolds, IN
	Star, NC	Hillsborough, NC	Rugby, ND	Sparta, NC
		Hollandale, MS	Siler City, NC	Washington, NC
		Nelsonville, OH		
		Oakland, MD		
		Selma, NC		

Source: Morgan and Lambe 2009

local residents. Helena, Arkansas, hosts the King Biscuit Blues Festival to draw visitors and rekindle enthusiasm for downtown Helena. These examples of local creative economy approaches to development have resulted in new jobs, increased investment, and improved quality of life.

Innovative industrial development focuses on emerging sectors in regional economies and multijurisdictional collaboration in the pursuit of economic development. Innovative industrial development involves more than trolling for any footloose industry. This approach incorporates business clustering and regional collaboration, emphasizes “green” development, and makes use of creative incentive tools.

Oxford, North Carolina, and several neighboring communities have implemented a unique revenue-sharing partnership aimed at recruiting industries that may need to be near, but not in, the nearby Research Triangle Park. The Kerr-Tar Mini Hub concept involves a partnership to develop several industrial properties across a rural region and to share tax revenues across multiple jurisdictions. In Cape Charles, Virginia, the town’s investment in an eco-friendly industrial

park was an innovative strategy to bridge the dual challenges of environmental degradation and job creation.

Many case study communities pursue economic development by combining elements of more than one approach. For example, the multipronged approach in Douglas, Georgia, promotes entrepreneurship, cultivates talent through leadership development, and emphasizes targeted industrial recruitment focused on emerging sectors. There is considerable overlap between the approaches and the strategies or tools used to implement them. For example, the cultivation of social capital is a common thread running through all four approaches. Arts and culture is an important component of both place-based development and entrepreneurship strategies in the case study communities. Similarly, many communities use quality of life amenities to connect place-making strategies to creativity and talent cultivation. Economic gardening requires building an entrepreneurial culture and creating a support system for new enterprises through a process that is inextricably tied to a particular place. Both gardening and talent cultivation share an emphasis on people: entrepreneurs, workers, retirees, and community leaders.

Lessons Learned: Ingredients for Innovation in Rural Economic Development

In drawing broad lessons from the case studies, we recognize that local context matters a great deal in economic development. Innovation is a moving target, and an innovative (or new) practice in one place may not be innovative in another. Local context varies considerably, so it is unrealistic to think that what has worked in one place can be replicated with the same success in another. Indeed, mere emulation of what others have done may not even be desirable. Still, the point of doing the case studies was to learn something from various communities that could inform small town development efforts elsewhere. These lessons, which address more the *process* than the *substance* of innovation, might be considered “local ingredients for innovation in rural economic development.”

Community Development and Economic Development Go Hand-in-Hand

If community development—compared to economic development—is generally considered to include a broader set of activities aimed at building the capacity of a community, then the case studies demonstrate that capacity-building and other strategies typically associated with community development are analogous with actions designed to produce economic outcomes. In this sense, the communities profiled in the case studies practice community economic development

(CED). For example, in Ord, Nebraska, a broad-based and inclusive approach to CED that included leadership development, youth entrepreneurship, and philanthropy enhanced the community’s capacity to take on more traditional economic development projects such as recruiting an ethanol facility (with dozens of new jobs) into the jurisdiction.

Furthermore, communities that take a comprehensive approach to CED—one that includes economic and broader, longer-term, community development goals—stand to gain more than small towns that take a piecemeal approach. Selma, for example, made significant investments in revitalizing both its downtown area and the train depot. However, lack of consideration of a four-block area between these two investment zones limited the overall positive impacts of the community’s work. By viewing redevelopment in a more comprehensive way, and by including community development considerations such as revitalization of blighted downtown properties in their strategy, the town was able to identify a barrier to continued revitalization and a potential means of overcoming this barrier that will hopefully pay off in the years ahead.

Because CED includes short-range and long-range strategies, it is by definition a long-term and transformative process (a fact recognized more in community development circles

than in economic development ones). Successful small towns tend to balance short-term economic gains with longer-term community development goals. The Mayor of Davidson, North Carolina, made this point when he said that every decision about development is weighed against the question of whether “this project is something that our grandchildren will be proud of” (Lambe 2008). Civic leaders in Ord, Nebraska, invest time and resources into entrepreneurship training in the local school system with the hope that these activities will transform the local economy for the next generation.

Similarly, Big Stone Gap, Virginia, having developed a CED strategy based on entrepreneurship, had to “help people think about economic development differently” (Lambe 2008). Over a period of six years, local opportunities were harvested by entrepreneurs and, slowly but surely, new small businesses started appearing in town—new businesses with local ownership and local roots. However, these outcomes were not realized during the typical political cycle.

Proactive and Future-Oriented Leaders Who Will Embrace Change and Assume Risk

Leaders in rural communities are the facilitators of, or the barriers to, innovation. Without local leaders to push and implement new ways of doing things, innovative practices, in whatever form they take, will fall short. These characteristics of innovative leadership in rural communities—proactive, future oriented, and risk-taking—perhaps relate to the fact that innovation often results when communities “hit the bottom,” forcing local leaders to try new things and take new risks.

For example, consider Helena, Arkansas, where the community’s collective sense of hitting bottom presented local leaders with an opportunity to step up, to initiate a new way of planning and implementing development efforts, and to convince local residents to participate in the process. Similarly, in Scotland Neck, North Carolina, difficult economic and civic circumstances in the late 1990s presented an opportunity for a strong mayor and other civic leaders to look inward for new ideas and angles on old problems.

Being proactive (as opposed to reactive) can be measured by a community’s willingness and ability to act on a particular challenge before it becomes a problem. In Tennessee, for example, Etowah’s proactive approach to building and occupying its industrial park, as opposed to reacting to trolling industries, has paid major dividends in terms of maintaining a diverse array of living wage jobs in town. In Ord, Nebraska, proactive meant preparing the community’s residents and institutions for unknown opportunities in the future. Economic development leaders tackled a number of small-scale challenges in the community and, in the process, seeded the roots of teamwork around development activities. In 2003,

when a major economic development project arrived from state developers, Ord was prepared to act.

Embracing change and assuming risk is another characteristic of innovative leadership in rural communities. For example, Fairfield, Iowa, has taken an approach to development in which the entire strategy of building an entrepreneurial culture is based on the natural business cycle of success and failure. According to a local leader, “there was a lot of trial and error and failures to get to where we are today, but the failures of some companies have provided cheap space, office furniture, and equipment for another round of start-ups. Failure has freed up talented people who again ask what new concepts and companies can we start here in Fairfield” (Lambe 2008).

Widely Shared Local Vision

Innovative rural communities establish and maintain a broadly held vision, including goals for all manner of development activities with measurable objectives. In rural development, people (as opposed to money or other resources) are the one absolutely necessary ingredient to implement and sustain innovative practices. A committed group of residents who are willing to work hard to support the community’s vision can change the fate of an otherwise hopeless community. A widely shared vision provides local innovators with a common understanding of the road ahead.

A widely shared vision is perhaps illustrated most dramatically by Helena, Arkansas, where the inclusiveness of the community’s planning and visioning process was crucial. In this case, the process included representatives from government, community organizations, for-profit and nonprofit interests, resource providers, and residents of the community. In fact, anybody could join the effort, and this perception of an inclusive and open-door process was widespread across Helena.

Similarly in Ord, Nebraska, a significant amount of the momentum for economic development comes from one-on-one conversations. Local leaders take the time to meet individually with members of the community, sometimes going door to door, to ensure that opposition to development efforts does not take root for lack of understanding the larger vision that drives local development. In terms of maintaining momentum behind a community’s vision, Douglas, Georgia, demonstrates how a local Chamber of Commerce can take responsibility for calling stakeholders together on a regular basis to recommit themselves to the community’s shared vision.

Broad Definition of Assets and Opportunities

In most communities, shell buildings, low tax rates, limited regulation, and access to trained workers, highways, railroads, or professional services are considered

economic development assets and justifiably so. Innovative rural communities, however, define economic development assets in a much broader framework.

For example, Allendale, South Carolina, capitalized on a regional university to create a local leadership development program that, in turn, trained new economic development leaders for the entire region. Brevard, North Carolina, demonstrates that retirees within a community can be economic development assets. The Retiree Resource Network is a group of retirees with private sector experience who mentor local entrepreneurs.

In Columbia, North Carolina, local leaders recognized that their region's natural beauty was an asset that could drive an ecotourism strategy. In an ironic twist on small town development, the arrival of Wal-Mart became an asset for the small community of Oakland, Maryland, when local leaders took the opportunity to help Main Street retailers diversify their product lines. Assets for innovative rural development might include individual people, nonprofit organizations, businesses, open space, farms, parks, landfills (biomass), museums, schools, historic architecture, or local attitudes.

Another trend in innovative rural development is the recognition of rural assets in terms of environment-friendly development or clean energy. In Dillsboro, North Carolina, the town turned an environmental challenge, in this case methane gas migrating from the community landfill, into an opportunity to create jobs and provide space for entrepreneurs. The Jackson County Clean Energy Park (in Dillsboro) uses methane gas from a nearby landfill to power the studios of local artisans. In the most extreme case, Reynolds, Indiana, is capitalizing on latent energy contained agricultural waste from 150,000 hogs to become BioTown, USA—the nation's first energy-independent community.

Creative Regional Governance, Partnerships, and Organizations

Historically, development in rural communities has been practiced as a zero-sum game. If one jurisdiction successfully attracted an investment or new employer, the implication has been that the other jurisdiction (perhaps a neighbor) lost. Innovative rural communities move beyond this notion to a regional or collaborative approach. Cross-jurisdictional partnerships can help rural communities pool resources toward shared development objectives.

Strategies in Ord, Nebraska, Davidson, North Carolina, and Hillsborough, North Carolina, each involve commitments to interlocal revenue- and responsibility-sharing among varying jurisdictions. Davidson and Oxford partner with neighboring communities in industrial development efforts,

while Hillsborough partners with the county to manage growth beyond the town's municipal boundaries. Ord joined with the county and the chamber of commerce to share costs and revenues from a wide range of development activities.

In addition to regional partnerships and opportunities, innovative rural communities tend to have local leaders who connect with higher-level policymakers and business leaders. The mayor in Scotland Neck, North Carolina, and several key leaders in Helena, Arkansas, made explicit efforts to link the interests of their individual communities to policymakers in their respective state capitals. Furthermore, as demonstrated by Douglas, Georgia, leaders in small towns must forge partnerships with state-level developers, bankers, and power companies, each a critical player in state economic development. Innovative rural development is pursued through dense networks of personal contacts.

Finally, public-private (including not-for-profit) partnerships are emerging as the prominent organizational model for innovative rural development. In Siler City, North Carolina, for example, the successful establishment of an incubator was the product of a partnership among the community college, local government, and a state-level nonprofit organization. In Spruce Pine, North Carolina, the approach to supporting local entrepreneurs requires that the chamber of commerce and the craft community work closely together for the first time to ensure successful marketing and branding.

Measurements of Progress and Ongoing Evaluation

Given the long-term nature of rural development and the fact that measurable results from a specific project may be decades in the making, leaders in rural communities must repeatedly make the case for the importance of their efforts. Making the case is important to maintain momentum, to invigorate volunteers and donors, to convince skeptics, and, most importantly, to keep the focus of development on the vision or the goals established in a community's strategic plan. Innovative rural communities recognize that making the case is an ongoing and continuous effort.

For example, in Ord, Nebraska, impacts of the community's development programs are monitored and have become useful for both external and internal audiences. Data are used to attract additional investment from outside sources. Moreover, by demonstrating a reasonable return on investment, these data also may be used to convince a community's naysayers to join the efforts. In Hollandale, Mississippi, an analysis of local data helped the community to convince outside grant-makers that a rural transportation network was a smart investment. In addition, it helped to convince policymakers that rural transportation was a viable (if incremental) strategy for alleviating a range of economic challenges.

Encouraging Innovation in Rural Development

This experience studying rural development leads to a conclusion that a majority of the responsibility for initiating innovative approaches to rural development lies squarely in the hands of local leadership. Leaders in municipal, county, and multijurisdictional institutions know their circumstances and are best equipped to make strategic decisions about development. However, given the ingredients for rural innovation described above, state and federal institutions have an important role in terms of encouraging or incenting innovation at the local level. For example,

state and federal grant programs could be designed to require multijurisdictional partnerships as a criterion for funding. Research on rural innovation and program evaluation, including best practice case studies, could be ramped up and consolidated in a federal data clearinghouse. Additional resources could be made available to colleges and universities for rural leadership development. These are a few examples of the types of policies or programs that could encourage rural innovation.

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Resources

- Allendale, SC: www.sog.unc.edu/programs/cednc/stbi/cases/pdf/allendale.pdf
- Big Stone Gap, VA: www.sog.unc.edu/programs/cednc/stbi/cases/pdf/big_stone_gap.pdf
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Siler City, NC: www.ncartsincubator.org/about.htm

Spruce Pines, NC: www.sog.unc.edu/programs/cednc/stbi/cases/pdf/spruce_pine.pdf

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