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A Primer For Economic Development Directors and Other Social Entrepreneurs: Using 'CASH' As a Management Practice

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ABSTRACT

City and community officials are responsible for developing and sustaining economic growth. This research focuses on Best Practices Cities — those with current and predicted economic growth above the national average — and the specific management practices that are responsible for such growth. The CASH model is presented to assist city planners and other social entrepreneurs in their economic development initiatives.

INTRODUCTION

Entrepreneurs are an eclectic and diverse segment of the population (Harper, 2005). As a result, several streams of research have emerged to explain and characterize what distinguishes them from the rest of us. Entrepreneurs are known to be persistent, confident, adaptable, and passionate and courageous in pursuing their vision (Gillespie-Brown, 2008). Research by Dyer, Gregersen, and Christensen (2009) discusses the five discovery skills of associating, questioning, observing, experimenting, and networking that distinguish the most creative corporate executives like Apple’s Steve Jobs and P&G’s A.G. Lafley. Success tends to breed imitators or competitors, forcing corporate executives to consider the adoption of new business improvement methodologies like Total Quality Management (TQM) and Lean and Six-Sigma (Thawsaengkutchalai and Tannock, 2008). This kind of research is typically affiliated with some type of corporate entity. But what if one were to conceptualize a city or region as an entrepreneurial agent with a creative and innovative culture?

SOCIAL ENTREPRENEURSHIP: KEY ISSUES FOR ECONOMIC DEVELOPMENT INITIATIVES

Catford (1997) has described the social entrepreneur as a person that is capable of coordinating and empowering a wide range of disparate individuals and organizations in order to direct scarce resources towards activities with the highest potential gain. De Leeuw (1999) describes social entrepreneurs as operating in community environments that are dynamic and to some extent unpredictable, and who will be vital in planning and executing community-based initiatives.

Economic development officers and other city officials can adapt this conceptual framework to their own entrepreneurial and strategic development initiatives. Indeed, a plethora of regional economic development strategists and management consultants have proffered their research findings to facilitate such efforts over the past several years. Hence, it is appropriate to view city planning and economic development directors as business entrepreneurs promoting social change.

Denhardt (1995) and Blair (1998) reviewed economic development efforts for cities and concluded that these efforts are complex undertakings and in need of extensive strategic planning and managerial considerations prior to any implementation. Malecki (1997) theorizes that the environment for entrepreneurship in a region or locale is a critical part of the entrepreneurial process itself, and has sparked numerous debates and theories about the factors that influence the creation and attraction of new business enterprise in a metropolitan region.

Nohria, Joyce, and Roberson (2003) outline the management practices that are imperative for sustained superior financial performance and offered their 4+2 formula for business success. Specifically, the companies that outperformed their industry peers excelled in the four primary management practices: strategy, structure, culture, and execution. And they supplemented their great skill in those areas with a
mastery of any two of four secondary management practices: talent, leadership, innovation, and mergers and partnerships. Edwards and Haines (2007) also elaborate on a broad array of strategic plans and policies to use land more efficiently and to promote smart growth principles. Lorentzen and Hansen (2009) demonstrate how urban systems and urban structures change in the experience economy, prompting urban developers to be increasingly entrepreneurial and stakeholder based. And Kwon, Berry, and Felock (2009) develop a framework from strategic management, institutional analysis, and policy innovation research and offer policy recommendations that local government officials can use in economic revitalization efforts.

More than fifty years ago, Drucker (1958) noted that marketing is the most effective engine of economic development. In order to be optimally effective, the marketing professional must be aware of the major players and their competitive offerings. Florida (2003) focuses on agglomeration and cluster theories, social capital perspectives, and human capital theories and their impact on regional economic growth. Later research by Florida (2008) examines globalization and how it has created opportunities for higher-level economic activities such as innovation, design, finance, and media to cluster in an ever smaller number of specific, often specialized locations. And often times these specialized locations are marketed to entrepreneurs, site selectors, and relocation professionals. As a result, numerous positioning and communication strategies have been initiated by economic development planning commissions, not unlike the consumer based brand building efforts of brand and category managers (Asker and Joachimsthaler, 2000; Keller, 2001; Mahajan and Wind, 2002).

This brief overview of previous research on social entrepreneurship as applied by economic development directors highlighted key issues of business and social concern. For example, regional variations in support infrastructure and social milieu play an important role in attracting, developing, and sustaining entrepreneurs and business owners. Moreover, strategic frameworks for superior business performance and systematic and comprehensive brand management and positioning strategies have been formulated. Unfortunately, as Malecki (1997) and Roberts and Stimson (1998) lamented over twelve years ago, there is a paucity of economic analysis or practical research at the regional or local level that offers any blueprint or formula for entrepreneurial economic development officials to follow.

RESEARCH PURPOSE AND ATTENDANT RESEARCH QUESTIONS

Gary Hamel asserts in his book, Leading the Revolution (2000), that top management’s mandate is to put into operation design rules that enhance the creative culture of an innovative organization. Although directed at corporate executives, social entrepreneurs may consider adapting this mandate and creating a contextual framework that coordinates disparate community officials and their resources to plan specific economic development efforts.

The primary purpose of this research is to provide community officials with an actionable contextual framework that will facilitate and enhance their economic development efforts. Specifically, four research questions are addressed: (1) Are there differences in strategy between cities that achieve current and predicted employment rates greater than the national average?; (2) Are there differences in structure between cities that achieve current and predicted employment rates greater than the national average?; (3) Are there differences in positioning strategy (culture) between cities that achieve current and predicted employment rates greater than the national average?; and (4) Are there differences in operational execution between cities that achieve current and predicted employment rates greater than the national average?

METHODOLOGICAL AND STATISTICAL CONSIDERATIONS

The data in this research are derived from two hundred forty three [n=243] proprietary entrepreneurial research reports, site selector feasibility studies, strategic marketing plans developed by specific cities’ economic development offices, and relocation professionals’ monographs. Reports were collected over a two year period from volunteer cities who agreed to share their proprietary research, provided no individual city would be identified and results would be shared. These reports were not standardized in any manner; therefore, information contained within was unique to each city. The reports spanned an eleven year period of time, but the reports used for this research were filed within the last five years. Moreover, the reports chosen for analysis met the following three criteria: (1) the attraction of business enterprise to the city was a clearly articulated objective; (2) a long-term strategic plan for the city’s economic development initiatives was included; and (3) specific roles and action plans for carrying out the city’s long-term strategy were clearly delineated. A total of thirty-eight cities in fourteen states met all three criteria, and were therefore deemed appropriate for analysis.
Cities that met the study specifications were divided into two discrete groups. The first group deemed Best Practices Cities, were those that achieved current and predicted economic growth rates above the national average. The second group deemed Non-Best Practices Cities, were those that achieved current and predicted economic growth rates below the national average. Economic growth was operationally defined as each cities’ employment rate, as determined by the U.S. Census Bureau (2007).

Through a case study approach, all information and data were assessed and categorized according to Nohria, Joyce, and Roberson (2003) management practices as employed by each city. The findings were assigned a numerical value of one [1] or zero [0]. Since the cities and respective findings were grouped into discrete categories, the Sign Test was employed to the operationally defined data, categorized as: Strategy; Structure; Culture; and Execution. The case study approach permitted an empirical assessment and assignment of relevant concepts. Hence, the Sign Test is particularly useful for this type of research in which quantitative measurement is impossible or infeasible (Siegel, 1956). The alpha was established at the conventional .05 level. The mean population for the thirty-eight cities included in this analysis was 25,000 persons.

### RESEARCH FINDINGS

Four research questions were addressed in this study following a conceptual format offered by Nohria, Joyce, and Roberson (2003). The questions were:

1. Are there differences in strategy between cities that achieve current and predicted employment rates greater than the national average?
2. Are there differences in structure between cities that achieve current and predicted employment rates greater than the national average?
3. Are there differences in positioning strategy [culture] between cities that achieve current and predicted employment rates greater than the national average?
4. Are there differences in operational execution between cities that achieve current and predicted employment rates greater than the national average?

Significant findings were found in each management area operationally designated as: Strategy; Structure; Culture; and Execution with respect to city type. A comparison of Best Practices Cities vs. Non-Best Practices Cities can be found in Table 1.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Best Practices Cities vs. Non-Best Practices Cities</th>
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</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
<td>Perform comprehensive self-audits (Deductive Examination)</td>
</tr>
<tr>
<td><strong>Structure</strong></td>
<td>Multiple responsible stakeholders; clear roles; broad scope</td>
</tr>
<tr>
<td><strong>Culture</strong></td>
<td>Comprehensive national benchmarking</td>
</tr>
<tr>
<td><strong>Execution</strong></td>
<td>Constant contact with stakeholders</td>
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</tbody>
</table>

### DISCUSSION AND IMPLICATIONS

The first research question is, “Are there differences in strategy between cities that achieve current and predicted employment rates greater than the national average?” This research indicates distinct differences in how strategic plans are developed. First, it must be pointed out that only nine of thirty-eight cities were classified as Best Practices Cities. The probability of achieving this result is .0017 [two-tailed; Sign Test]. Nine out of nine Best Practices Cities initiated the strategic plan with a detailed and comprehensive self-audit [p=0.0039; two-tailed; Sign Test]. The self-audit exhibited three primary characteristics: (1) four distinct economic development areas were examined [retail; commercial; residential; industrial]; (2) quantitative analyses from Census information and other pertinent statistical data [internally derived 25 – 50 questions], as well as qualitative methodologies from focus group research were included for planning purposes; and (3) a wide variety of stakeholders’ perspectives were included [director of economic development; growth boards, both private and corporate; public opinion polls]. The Non-Best Practices Cities tended to isolate and focus on problem areas with little or no external objective data to verify problem identification and recommendations for addressing key challenges.

These findings suggest that the key to achieving excellence in the management practice of strategy is to develop strategy from the outside in, based on what your stakeholders have to say. Be realistic and honest with respect to the city’s capabilities by exploring in detail, specific areas for economic development.

The second research question is, “Are there differences in structure between cities that achieve current and predicted employment rates greater than
This research indicates profound differences in the overall approach to reducing bureaucracy and clarifying roles and responsibilities of resource personnel. Specifically, eight of nine Best Practices Cities \[ p = 0.0391; \text{two-tailed; Sign Test} \] created three distinct teams of professionals dedicated to community economic development and social entrepreneurship initiatives. These three officers include: (1) Director of Economic Development, responsible for facilitating and expediting the day-to-day activities; (2) Director of Growth Board, staffed with community appointees and volunteers, who serve in an advisory role and are responsible for assessing relevant community issues with short-, intermediate-, and long-term ramifications; and (3) Economic Development Corporation Officer, who is responsible for developing and maintaining ongoing cooperative relationships with the local Chamber of Commerce and other business associations. The Non-Best Practices Cities tended to have no operative structure in place with clearly delineated roles and responsibilities.

These findings suggest that the key to achieving excellence in the management practice of structure is to simplify processes and promote cooperation and the exchange of information among all relevant stakeholders. Too often, economic development policy makers focus on which combination of tax breaks, abatements, and land grants to offer in their appeals to business enterprise when a focus on a structure that simplifies work and promotes cooperative exchanges among carefully selected and nurtured stakeholders may be more beneficial.

The third research question is, \textit{"Are there differences in positioning strategy [culture] between cities that achieve current and predicted employment rates greater than the national average?"} Again, nine out of nine Best Practices Cities conducted an external benchmarking process \[ p = 0.0039; \text{two-tailed; Sign Test} \]. This process consisted of four discrete stages: (1) identification of cities comparable in five to nine demographic areas [population size; age; education levels; ethnicity; voting patterns, etc.] but superior in relative economic development measures, as determined by U.S. Census data and other sources; (2) arranging fact-finding visitations and personal consultations with community leaders in the benchmark city; (3) communicating the benchmark findings to all pertinent stakeholders; and (4) developing the marketing plan, brand development and positioning strategy [culture] based on internal deliberations and discussions with community leaders in the benchmark city.

These findings suggest that the key to developing an effective positioning strategy [culture] is the adoption of an external benchmarking process that consists of the discovery of significant insights that are converted into specific implementation actions with periodic and ongoing measurement and assessment of goals and objectives. This benchmarking process is essential to the creation of any differential advantage the economic development team plans to pursue.

The fourth research question is, \textit{"Are there differences in operational execution between cities that achieve current and predicted employment rates greater than the national average?"} Again, nine out of nine \[ p = 0.0039; \text{two-tailed; Sign Test} \] Best Practices Cities maintain a constant presence and close interaction with relevant constituencies and stakeholders. Two distinct approaches are typical: (1) visitation programs characterized by regularly scheduled events with local business leaders to discuss issues and concerns, and operatives who attend local, regional, and national conferences and trade shows; and (2) a physical presence characterized by specific resource facilities that include a library, outreach programs, and educational programming.

These findings suggest that the key to achieving excellence in the management practice of operational execution is consistent communication and dialogue with stakeholders. Community officials in the economic development office are constantly reacting to changing market conditions and fine-tuning their actions based on information and insights gleaned from business officials, trade shows, and conferences.

Taken in their entirety, these research findings suggest that economic development directors as social entrepreneurs must master a distinct set of management practices that enable and empower a diverse collection of individuals and organizations. Therefore, in order to synthesize the research questions and findings, the ‘CASH’ model, presented in Table 2, is offered as a suggested framework to help plan and execute economic development initiatives.

**LIMITATIONS AND FUTURE RESEARCH**

This study exhibits all the inherent limitations and weaknesses associated with historical and qualitative data. Specifically, the use of dated material [up to five years old] and non-standardized reports is a particular weakness. Also, given the case study approach, limited sample size must also be noted, therefore caution must be exercised in generalizing results. The use of the Sign Test, although feasible for this study, does not possess the statistical power that the majority of researchers desire.

Future research may include a different operational definition of economic growth rate. This research used
employment rate, which may limit other measures that incorporate a quality of life component.

Table 2. The ‘CASH’ Model: A Primer For Economic Development Directors and Other Social Entrepreneurs

| Conduct a detailed and comprehensive community self-audit; canvas a wide variety of perspectives, using an array of data collection techniques that include qualitative [focus groups] and quantitative [Likert-type surveys] methodologies. |
| Assess comparable cities in size and other attributes that are superior in relative economic development measures; conduct a thorough benchmarking process. |
| Structure your economic development offices [and offices] in a way that simplifies and reduces bureaucracy and clarifies roles or responsibilities. |
| Harvest goodwill from local and non-local business leaders; outreach and educational programs are relatively inexpensive ways to generate positive “buzz”. |

REFERENCES


Gillespie-Brown, Jon (2008), So You Want To Be An Entrepreneur: How to Decide If Starting A Business Is Really For You, Chichester: Capstone.


