

# *The Regional Path to Prosperity*

CENTER FOR REGIONAL  
COMPETITIVENESS



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Competitiveness***

# *The Regional Path to Prosperity*

## OUTLINE

1. Why must you think regionally to compete globally?
2. What works best in regional development?
3. How can you make a difference?

# *Globalization has profoundly changed what works in economic development.*

- For a more than a half-century, development was “recruiting a factory to the edge of town and giving away the farm to get them.”

- This “buffalo hunting” was fierce, expensive, and intensely local. Counties/Cities were the “athletes.”
- Low-cost labor, land, and taxes were the critical ingredients.

- **Globalization has changed this paradigm.**

- Too many places around the world have even lower costs.
- Indeed, the field of play has shifted:

*From cost to innovation.*



*The problem is that policy and development practice have not kept pace.*

- **Policy still aimed mainly at sectors.**
  - This equates to a “one size fits all,” or a “tide to lift all boats.”
- **Development practice is still mostly rooted in a 20<sup>th</sup> century game plan — *all that buffalo hunting.***
- **And many areas, especially rural ones, are losing ground in the economic race — lagging in competitiveness” measures.**
  - Rural areas losing share in jobs, income, & population.
  - Very few rural regions are on the “leader board.”

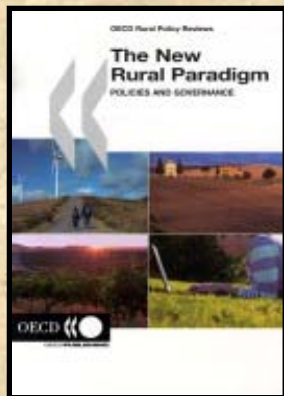
# *The Whole World is Rethinking Economic Development*



Territorial Development Policy Committee (TDPC) at Ministerial Level  
**Investing for Growth: Building Innovative Regions**  
OECD Conference Centre, Paris / 31 March 2009

**Policy best helps regions (rural *and* urban) compete in the global economy through place-based measures that:**

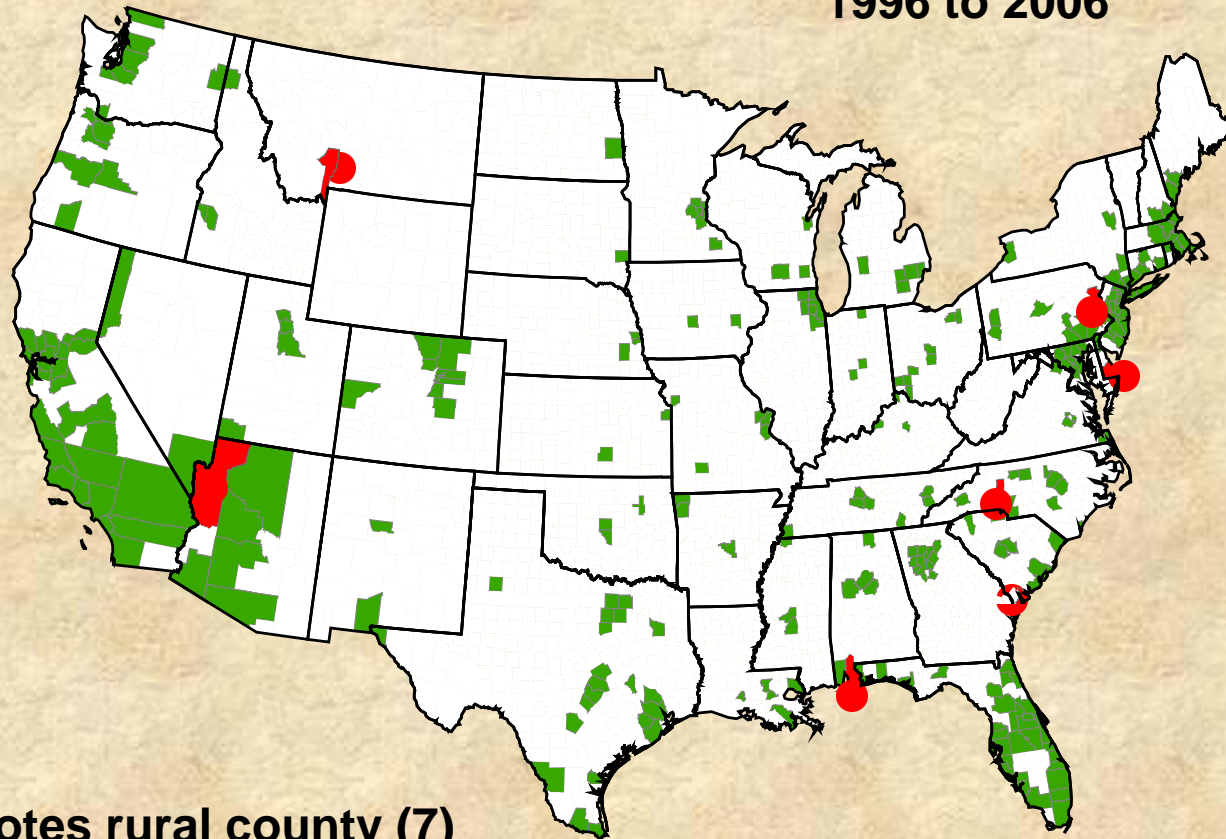
- 1. Encourage critical mass (think regionally to compete globally).** Regional partnerships are more art than science, though good models are emerging. Federal policy can create good incentives for such models to flourish.
- 2. Prioritize investments in public goods and services** that unlock a region's competitive advantage (of special value at a time when governments are focused on fiscal stimulus). Tools to set priorities are scarce but pay huge dividends.
- 3. Spur innovation that can transform a region's economy.** Innovation is a regional phenomenon, yet policies are still most often focused on technology at the federal level.



A “place-based” framework for rural policy founded on 20 in-depth policy reviews from around the world.

# Only a handful of rural counties on the “jobs” leader board ...

Top Ten Percent (310 Counties) for Job Creation  
1996 to 2006

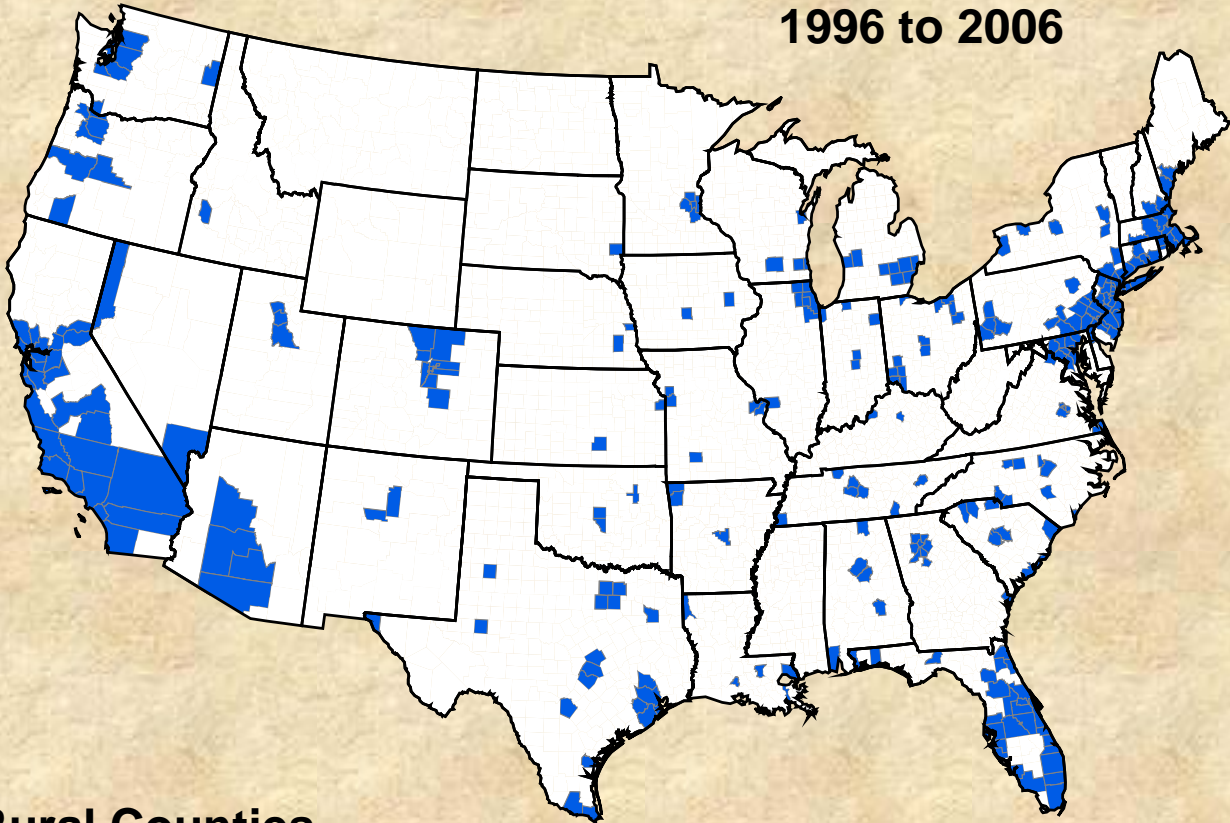


● Denotes rural county (7)

Source: BEA, REIS

# None on the “income” leader board.

Top 310 Counties for Income Creation  
1996 to 2006



No Rural Counties

Source: BEA, REIS

In the 21<sup>st</sup> century, economic regions matter more than political boundaries.

- ***Business Alliances*** – to build market presence and adopt new technologies.
- ***Community collaborations*** – to build critical mass for the venture and pool capital for development.
- ***Public Private Partnerships*** – to maximize returns on public & private investment.....

***And to ensure public research fuels regional development.***

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# *What works best for rural regional development?*

**Assemble four essential building blocks.**

- **Competitiveness strategy**
- **Region-wide partnership**
- **Regional innovation system**
- **World-class entrepreneurial climate**

# A New System for Regional Development



# The strategy process is the cornerstone.

- **Craft a sound strategy to drive concrete actions in the region. This requires:**
  - A region-wide partnership to own it (the *who*).
  - Clear strategic outcomes (the *what*).
  - A robust process to develop it (the *how*).

# The Who



The “partnership” must span the *economic* region and bring together public, private, and non-profit leaders. It must do three things:

- **Pool knowledge.**
- **Strengthen regional frameworks for action.**
- **Set priorities.**

# The Strategic What



## Three critical outcomes:

- **Build the partnership itself — this cannot be overlooked.**
- **Identify distinct regional competitive advantages.**
- **Set priorities for investment in public goods and services, an investment agenda totally aligned with private & nonprofit investments.**

# The How



**Must weave together three very different processes into one strong cord:**

- **Collaboration.**
- **Analysis.**
- **Coaching.**

*Success depends on weaving together three critical processes.*

**Collaboration**



Build Partnership  
Strengthen Regional Framework  
for Action



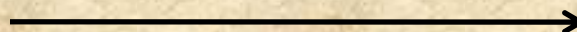
**Coaching**



Provide an impartial umpire  
Facilitate discussion  
Integrate analytics & dialogue

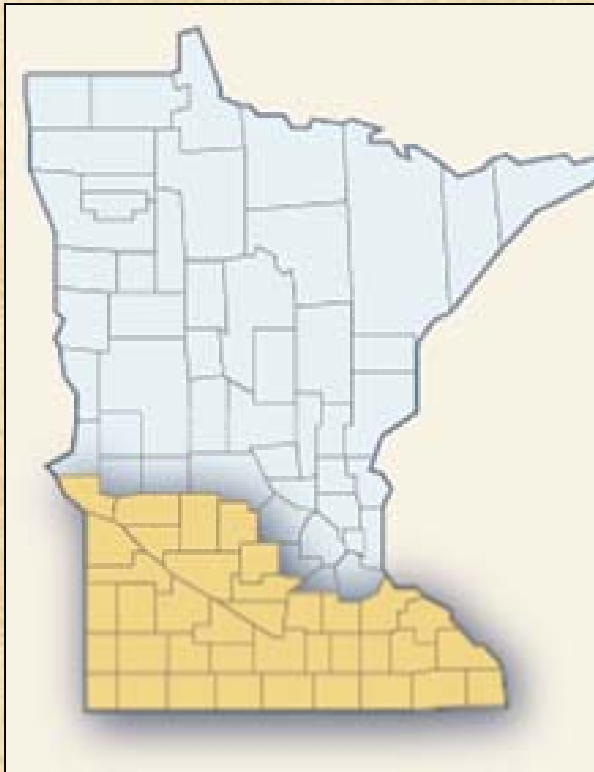


**Analysis**



Identify key trends  
Narrow strategic alternatives

# *The Southern Minnesota Regional Competitiveness Project: A Window on the Future of Regional Development*



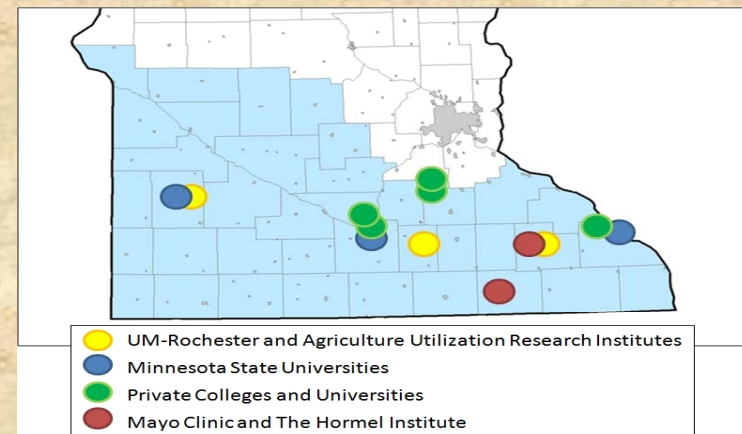
- A self-defined region with 38 counties and just under a million people.
- Ag-intensive, strong manufacturing base rural region, with world-renowned medical research facilities in the Mayo Clinic and Hormel Institute.
- In spite of many core strengths, two big concerns:
  1. *Incomes sliding relative to MN & US.*
  2. *A persistent exodus of youth & talent.*

# *Two Critical Facts about the Southern MN Economy*

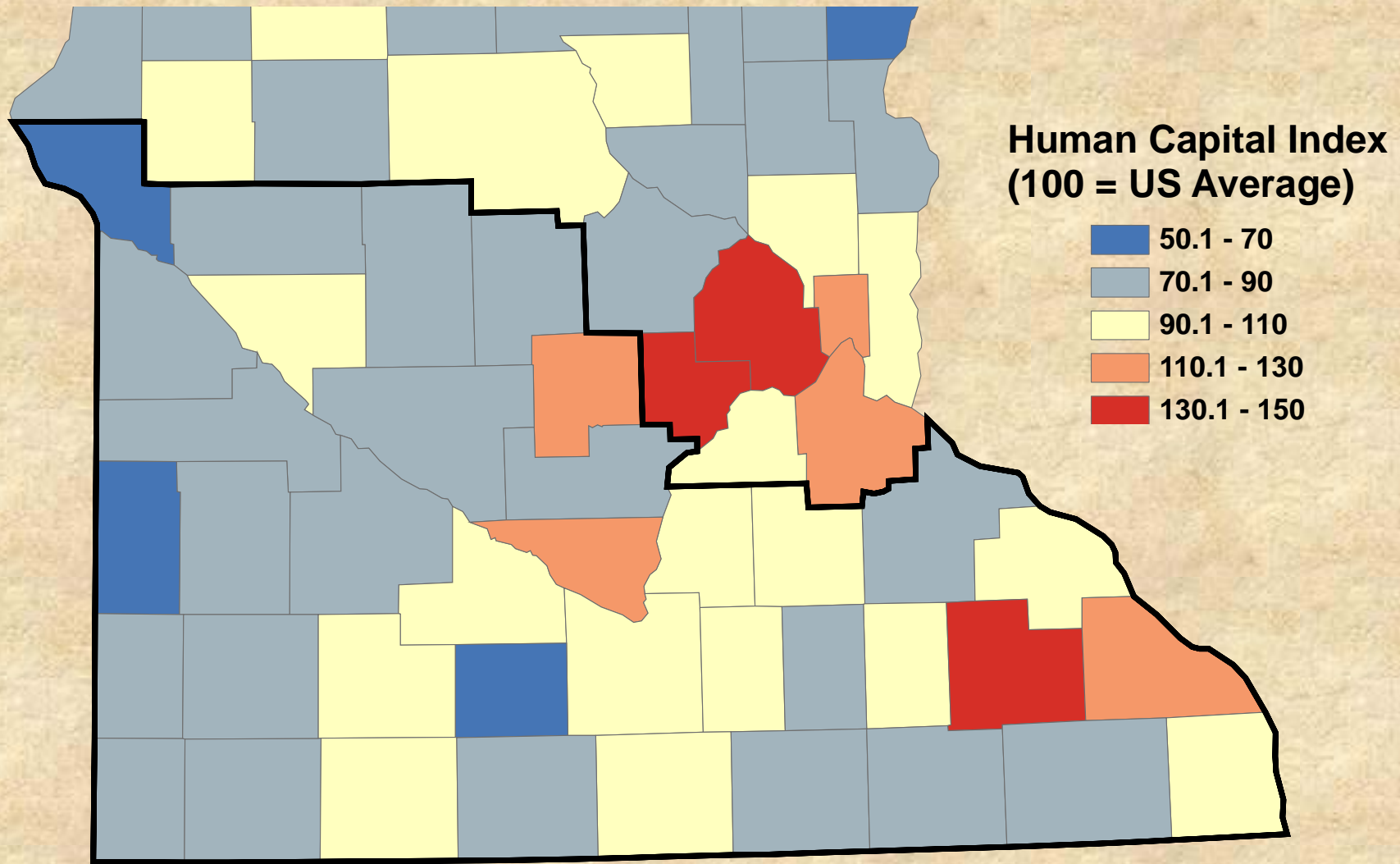
1. The current “3-legged stool” provides a sturdy economy, but it is not enough to gain ground in the economic race.

2. The region has powerful innovation engines, but it lacks a transmission with sufficient effect to transform the economy.

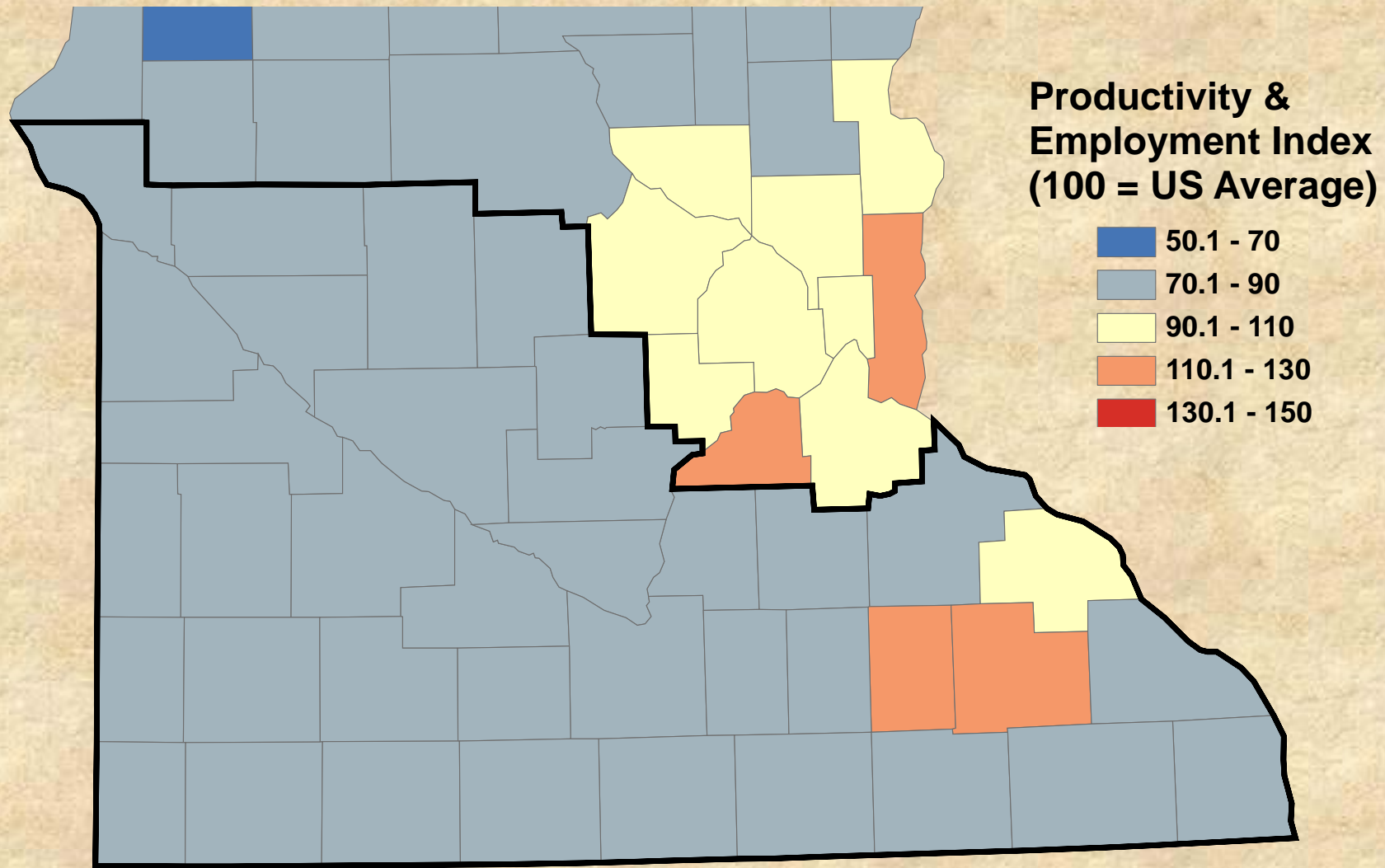
Sector	2007 Jobs	Surplus Jobs
Farm Employment	47,462	37,982
Manufacturing	87,306	42,246
Health Care and Social Assistance	93,740	39,359



*To illustrate, Southern MN has strong human capital...*



*But sub-par “innovation” measures.*

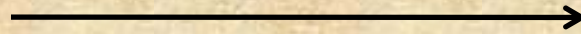


## *The Project had 4 critical goals.*

1. **Strategy.** Compete in the global economy with critical mass based on what the Region does best.
2. **Partnership.** Build a better way for the Region to think and act as one region.
3. **Investment priorities.** Identify public investments critical to being a world-class competitor.
4. **Increase innovation capacity.** Enhance the Region's capacity to innovate, grow entrepreneurs, and create wealth.

*Success depended on weaving together three critical processes.*

**Collaboration**



Build Partnership  
Strengthen Regional Framework  
for Action

Project Partner  
Team Formed  
Summer 2008

10 Local Roundtables  
520 + Leaders  
Sept/Oct 2008

3 Regional Roundtables  
300 Leaders  
November 2008

Futures Summit  
225 Leaders  
March 2009

Strategy Summit  
200 Leaders  
May 2009

**Coaching**



Provide an impartial umpire  
Facilitate discussion  
Integrate analytics & dialogue

**Analysis**



Identify key trends  
Narrow strategic alternatives

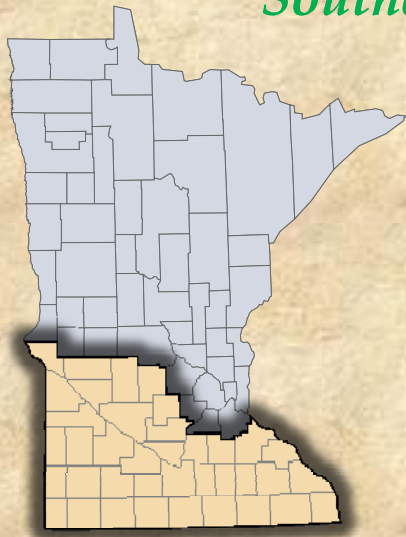


## *Three principles for prosperous regions.*

### **1. Regional partnering to create critical mass.**

**Multi-county scale necessary to compete—and to unlock the best economic opportunities (“competitive advantages”). Indeed, the best opportunities often emerge *only* at the regional scale.**

#### *Southern Minnesota Regional Competitiveness Project*



- 12-month project across 38 counties.
- Self-funded by 16 partners from the private sector, led by AgStar, SMIF, and others.
- Region has now formalized their partnership: *Southern MN Opportunity Roundtable*.

## *The Southern MN Opportunity Roundtable*



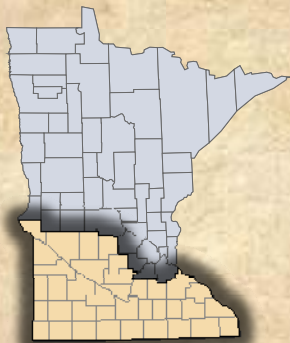
### **Five Critical Functions**

- 1. Set investment priorities for public funds.**
- 2. Champion public policies critical to the future—speak with one voice.**
- 3. Foster the best possible conditions for economic synergies to ignite—constantly “connecting the dots.”**
- 4. Coordinate *Game Plan* actions—advocating for the “forest” of region-wide good.**
- 5. Track progress against milestones and change course when necessary.**

## *Three principles for prosperous regions.*

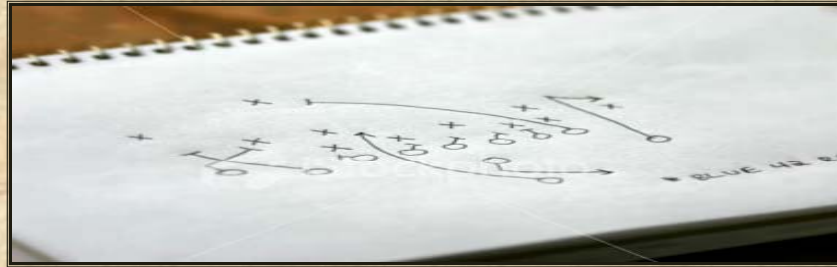
### **2. Focused investment on the region's competitive advantages, especially those that transform.**

**With globalization, asset-based development displaces business recruitment. Creating consensus on investment priorities depends on analytics, pooling local knowledge, and robust regional partnership — *all three are scarce in rural America.***



- 6 strategic opportunities, with agreement to prioritize three: bioscience, advanced manufactured, and renewable energy.
- An *Economic Game Plan* now on the table to execute over the next 24 months.

# *The Southern Minnesota Economic Game Plan*



**16 action steps over the next 24 months organized around four industry-specific *Forums*:**

- Innovation
- Bioscience
- Renewable energy
- Advanced mfg

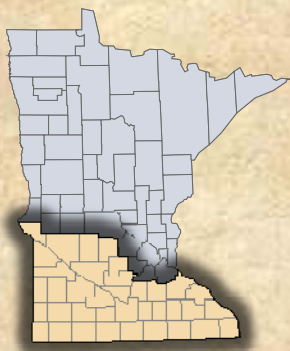
**Next comes the hard part —  
*prioritized investing.***

*Game Plan:* <http://www.mnsu.edu/ruralmn/images/SMRCP%20Report.pdf>

## *Three principles for prosperous regions.*

### **3. Building regional innovation systems — an innovation culture and transferring the power of innovation engines to the economy.**

**Recruitment remains the enemy of innovation—the culture looks back, not forward. While some rural areas have few innovation engines, many have them but lack a “transmission” that connects to the economy.**



- Southern MN now recognizes it must “connect the dots” to harness the power of their many engines of innovation—even as they change the underlying culture.
- Two tangible outcomes:
  1. **Bioscience—brought together Mayo, Hormel Institute, and key farm groups to focus on plant-made pharmaceuticals, functional foods, and other new horizons.**
  2. ***Southern MN Innovation Institute* being considered to “connect the dots.”**

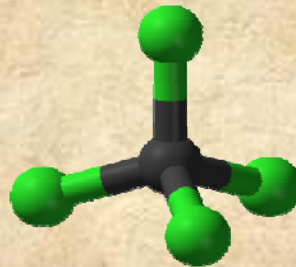
*Bioscience in Southern MN is the epitome of "connecting the dots."*

**Connect**



Three meetings to date

**Synergize**



Three possible projects to date



**Act & Invest**



? \$\$\$ & Timetable ?

# What has CRC learned about regional development?

*Findings from three competitiveness projects in rural America*

- ***Regional scale:*** counties or communities lack critical mass—and some opportunities only emerge at regional scale.
- ***Decision capacity & tools:*** skills & tools still mostly attuned to the 20<sup>th</sup> century development model.
- ***Regional governance:*** an art form, and in very short supply.
- ***External support:*** catalysts play a huge role in sparking the new rural paradigm. Put another way, spontaneous regions are rare.

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# How can you make a difference?

## 1. Help build the “region.”

- Champions to get beyond the local Chamber of Commerce are *scarce*.
- Many of you have a regional trade territory ... *if not you who?* **But, your region may not comport with the economic region.**
- You are in a great position to bridge diverse business & development interests.
- *It's all about champions.*



# How can you make a difference?

## 2. Insist the region go beyond “trolling.”

- What are the region’s competitive advantages?
- Is there unlocked potential to be exploited?
- Have distinct assets been identified—are public investments needed to exploit them?
- Does the region have a fertile climate for entrepreneurs?



# How can you make a difference?

## **3. Set priorities for public investments — including but not limited to the workforce.**

- **Setting investment priorities in your economic region has never been more important.**
- **How you invest in the workforce is obviously critical.**
- **But this must be part of an overall investment agenda—tied inextricably to your region's strategy.**



# How can you make a difference?

## **4. Cultivate an innovation agenda and culture in your region.**

- **EDD & WIBs can help “connect the dots” among innovation engines.**
- **They can also infuse a culture of innovation more broadly.**
- **Ultimately this is about building stronger networks in your region.**



# How to spur innovation in your Region?

Innovation is the result of two powerful, but competing forces:

- Creative (the Cocktail Party)
- Analytical (the engineers & MBAs)

*Prof. Michael Piore (MIT)*



In the past, these two dimensions were housed within one corporation.

Consider ATT: Bell Labs & Western Electric

Today, many corporations can no longer afford both.

***Can regions host “Cocktail Parties?”***

**This storm will pass.**



**Acting regionally *now* is both the best way to ride out  
the storm...**

**And put you on the very best path to sustained  
prosperity!**

# **RUPRI**

## *Center for Regional Competitiveness*

***WORLD-CLASS REGIONAL STRATEGIES FOR THE GLOBAL ECONOMIC RACE***

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**We are actively seeking rural regions in which to extend our analysis. We welcome discussions with any candidate regions.**

## **QUESTIONS?**

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