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ED 2.0: Innovation-Based Revitalization Efforts

by Scott Hutcheson¹

Google the term *economic development* and the very first item that comes up, from the 36,500,000 hits, is the Wikipedia entry. The second listing is from the U.S. Economic Development Administration (EDA). Depending on your familiarity with a “wiki,” this response is either inconsequential or extraordinarily profound.

When children go online to do a search for the term *economic development*, it is likely that they will click on the very first entry—the one from Wikipedia. The children would then read a few hundred words about economic development, all very concise, accurate, and relatively easy to understand. What makes this remarkable is that at Wikipedia, nobody is in charge! In fact, no single person wrote those words about economic development. Instead, more than 500 volunteers collectively crafted that definition by adding, correcting, and refining. If those same children clicked on the site for the U.S. EDA, it would not be long before they would see considerable rhetoric, yet never gain even a simple understanding of what economic development really is. Welcome to *Web 2.0*, and welcome also to *Economic Development (ED) 2.0*.

Before jumping into *ED 2.0*, it is important to understand a little about *Web 2.0*. The *2.0* came into our lexicon from the software industry. Microsoft’s new versions of *Windows* operating systems were released using that numbering system—for instance, *Windows 3.1*. *Web 2.0* is not a new

version of the Internet; rather, it is a term to describe the new ways in which people use the Internet. A major part of *Web 2.0* is a second generation of Web-based communities, such as social networking sites (i.e., MySpace and Facebook) and wikis (i.e., Wikipedia), all aimed at facilitating higher levels of innovation, collaboration, and the linking and leveraging of resources. That definition of *Web 2.0*, adapted slightly, is actually an excellent definition of *ED 2.0*: *A second generation of civic communities all aimed at facilitating greater levels of economic prosperity through innovation, collaboration, and the linking and leveraging of resources.*

If *ED 2.0* sounds familiar, it could be because Ed Morrison (2007) introduced some of these concepts in an earlier issue of the *Rural Research Report* series. Since that time, Morrison and others have applied this new model in communities all around the United States. In fact, it has been the organizational framework for the work underway by the Purdue Center for Regional Development and its partners in north-central Indiana.

This issue of the *Rural Research Report* series examines the *ED 2.0* model. It briefly describes some of the tools and applications used for economic transformation and revitalization efforts. This issue also provides an overview of specific strategies and programs.

The New Model for ED

In the Summer 2007 issue of the *Rural Research Report* series, Morrison (2007) began by examining the changes in the U.S. economy. He explained that the economy is moving from a first curve economy to a second curve economy based on knowledge and networks. The new economy focuses on wealth creation rather than job creation and

linking old economy assets to new economy opportunities. In the old economy, the focus was on creating jobs primarily through industrial recruitment—new factories equaled new jobs. Industrial recruitment is a strategy that will likely never disappear. Governors and economic development (ED) practitioners will solicit investments from around the

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states, often bordering states, and around the globe, and they will continue to lure plants to cross state boundaries.

Increasingly, wealth creation strategies are emerging, centered around building clusters and collaborations that link unique assets within a local or regional community. Morrison (2007) argues that this wealth-creation approach of producing open networks of innovation can be employed by every community, region, and state.

In his report, Morrison advanced a new model for innovation-led ED that defines this brave new world into five related but distinct areas: (1) Brainpower and Talent

Development; (2) Innovation and Entrepreneurship; (3) Quality, Connected Places; (4) Branding and Story Telling; and (5) Civic Collaboration. Another key aspect of this model is the recognition that economic transformation does not occur because of strategic planning but, rather, by *strategic doing*—a new civic discipline that is guiding innovation. As Morrison describes, strategic doing is a civic discipline designed to generate strategic insights and quickly translate these ideas into action. The command-and-control model of strategic planning helped guide growth in the old economy, but in an innovation-led economy, it takes a collaborative model like strategic doing to create new opportunities.

ED 2.0: Strategic Doing

The rest of this report will focus on on-the-ground examples of organizations and communities that implement elements of strategic doing. The intent is not to provide cookie-cutter examples to be transplanted to new locales; instead, these illustrations can serve as fuel for new ideas—a little bit of this, a pinch of that, and a dash of something brand new. This is the recipe for innovation-led ED—*ED 2.0*.

Brainpower and Talent Development. There are many stops en route to a lifetime of learning—preschool; elementary, middle, and high schools (vocational and college prep tracks); tech schools; two-year and technical colleges; universities; workforce development; on-the-job training; and learning centers—and many people have successfully navigated the journey. Far more people do not reach their full potential for learning, however. Civic leaders charged with the stewardship of our communities must gain a firm understanding of the vital role a pipeline of brainpower and a system of talent development play in innovation-based growth. Just figuring out the pipeline is a step in the right direction, and an increasing number of communities are taking the time to do that. They then design strategic interventions to patch the cracks, build better bridges from one learning stage to the next, and create innovative approaches to fill the pipeline that fuels economic growth.

Strategic Doing: Transforming a Rural High School. Rochester, Indiana (pop. 6,400), is like most rural Indiana schools that graduate about 79% of their students and whose graduates meet all of the state expectations which are seemingly good enough for most people. The community of Rochester decided, however, that “good enough” was not good enough. They committed themselves to transforming their traditional school into a place where young people are provided with 21st century skills—the skills needed for their kids and their community to succeed in the

new economy. They looked to a model in Napa, California, the New Tech High (NTH) model, a project-oriented and technologically enabled education model that emphasized the subjects of Science, Technology, Engineering, and Math (STEM). In the 2007-2008 school year, Rochester High School became the first school in the Midwest to fully implement the NTH model.

What makes the Rochester NTH story especially noteworthy is that it was not part of a long-term strategic plan; rather, it is an example of strategic doing. They could have focused efforts on a 10- or 20-year-plan to build a new building while one or two more generations of young people entered adulthood with a lifetime economic disability. Instead, a small group of community leaders recognized a need and set their sights on an immediate strategy. They quickly built a network that learned fast and linked and leveraged assets to raise money for curriculum, teacher training, and equipment. Within a few months, they were up and running. The school is garnering national attention and also serves as a laboratory where leaders from other communities can learn from what they are doing (for more information, see White House Writer’s Group 2007).

Strategic Doing: Rescuing College Dropouts. Arellana Cordero was an honors student in high school, and she entered the University of New Mexico (UNM) fully intending to become a college graduate. Five years later, with only 15 credits remaining before she received her baccalaureate degree, she abandoned her goal and dropped out. Her problem was not low grades or a lack of money. Outside pressures of a job, marriage, and children began to tug at her life, so she walked away from college. Arellana’s story is so common that several years ago, UNM created a dropout rescue program specifically designed to reach people like Arellana.

UNM identified 2,000 students who had dropped out but had done well while in school and had completed 75% of their coursework. They sent them letters inviting them back. They offered them a scholarship of \$1,000 if they did return. As it turned out, more than 1,000 students took the bait, and 68% have now graduated with a significant percentage of the students continuing on for graduate studies.

Most educational attainment strategies require decades before having much of a payoff. This innovative idea from UNM paid nearly immediate benefits, with 1,000 new workers earning degrees, increasing their earning power, and contributing more to the economy. Other communities are taking note and developing their own programs. In some cases, state officials are considering footing the bill for the \$1,000 incentive scholarships, recognizing the possibility of significant returns on that investment (Jones 2004).

Innovation and Entrepreneurship. When it comes to the economy, brainpower and talent do not do anyone much good until they are translated into new ideas, and until those new ideas result in increased wealth for both the individuals and the community. New ideas, of course, are not exclusive to the new economy; they have always been what fuels economic growth. Every product or service that ever made its way to the marketplace resulted from someone's new idea. In traditional models of ED, policymakers waited passively for those new ideas to show up on their doorstep, most often arriving from outside of the community. The open source model is proactive, creating an environment that accelerates the speed in which innovation occurs and market value is realized (Institute for Open Economic Networks 2008).

Much of the discussion about the role of innovation in ED focuses on high-tech innovation—new medical devices, computer software applications, and other technology-related products and services. There is no doubt that innovations such as these, when commercialized, have the potential for a tremendous impact on an economy. Innovation, however, can occur in any sector and, regardless of where it occurs, can result in economic growth. Not many people would have predicted that a pizza delivery business was especially innovative when Domino's and others were already well established in the marketplace; however, when John Schattner started selling pizzas in a small Indiana town across the river from Louisville, Kentucky, his product and service innovations built his business into an international brand. Papa John's has created nearly 15,000 jobs, with sales in 2006 that reached the \$1 billion mark (Mero 2006).

An *innovation economy* happens when innovation occurs across many sectors of the economy—from pizzas to processors. According to Audretsch (2003), in most

regions, only a small number (5 to 15%) of businesses are innovators. When more than 50% of those businesses innovate, the economy becomes increasingly resilient. The job of ED and community development professionals is to create communities where innovation can occur.

Strategic Doing: Building Community-Support Systems for Entrepreneurs. Several community-based models have emerged that can help create an environment of entrepreneurship and innovation. One of the most successful is Economic Gardening (2008), developed in Littleton, Colorado. In 1989, community leaders in Littleton, a suburb of Denver, decided they were tired of the industrial attraction game and eliminated all incentives and tax breaks for recruiting new industries. They set their sights on wealth creation instead of job creation and devoted resources to support the formation of enterprises and the growth of existing business.

Since 1989, without a single industrial attraction project, Littleton increased the number of jobs from 15,000 to 35,000, and the revenue from the sales tax has tripled. This rapid rate of economic growth took place when the rest of the U.S. economy, including the rest of the metro Denver economy, was lagging. Other communities are taking note and implementing aspects of Economic Gardening. The Entrepreneurship League System (2008) and Energizing Entrepreneurship (RUPRI 2008) are other examples of entrepreneurship and innovation-support models.

Strategic Doing: Developing a "Salsa" Cluster. All of these models have one thing in common: the creation of networks. These networks include linking entrepreneurs together with the support organizations that can assist them. A tremendous example of the power of networks is the Appalachian Center for Economic Networks (ACENet) (2008) based in Athens, Ohio. Like many communities in the 1990s, Appalachian Ohio lost industries and the jobs that supported them. This trend prompted community leaders to begin focusing on entrepreneurship and innovation as a means of economic survival. Their efforts resulted in the creation of a new economy—one based on regionalism and characterized by networks. They have had particular success in the development of a specialty food sector and now average 50 new business start-ups each year. The region is home to 20 or more salsa businesses alone. This may be the nation's only "salsa cluster."

Quality, Connected Places. *ED 2.0* models propose that successful communities are characterized by quality, connected places—neighborhoods that are distinctive, accessible, diverse, linked to other areas, and environmentally friendly. Quality commercial districts include distinctive, balanced, and linked mixed uses and places where broadband

access is widely available. The good news is that communities have more tools than ever to connect their residents. Streets, sidewalks, public spaces, and online forums are all ways in which people can connect.

There are several active voices providing commentary about our connections with one another or lack thereof. Some lament the old neighborhood design, characterized by front porches and frequent interactions with neighbors. For the last several decades, “new urbanists” have urged communities to bring back this sort of neighborhood design, and many communities have embraced these principles (Norris 2006). Another set of thinkers and writers point to the growth of online social interaction as a sign of a society headed the wrong way—one toward more isolation (Postman 1993).

Strategic Doing: Designing Livable Communities. The Designing Livable Communities Program at Iowa State University (“Community Visioning” 2008) works with local Iowa communities to integrate technical landscape planning and design techniques with sustainable community action to help community leaders and volunteers make sound and meaningful decisions about the local landscape. The program empowers local leaders through a planning process that results in an enhancement plan reflecting the values and identities of the community. Landscape architecture students often work with communities to execute these projects.

Branding and Storytelling. Every community has a story, and many, if not most, are stories that look in the rearview mirror, lamenting what once was—good jobs now gone, neighborhoods where kids could once safely ride their bikes, and bustling town squares now half abandoned. While nostalgia has a place, it does not usually fuel innovation and new ideas. An increasing number of communities are crafting new stories that create a buzz both within the community and to the outside world. Branding and storytelling represent the civic process by which a community explicitly manages the stories that leaders use to describe their community to both residents and outsiders. Effective stories shape perceptions and alter behavior, and community branding relies on these stories to build a platform from which different marketing campaigns are launched.

Strategic Doing: Creating the “BioTown, USA” Brand.

Reynolds, Indiana (pop. 547) created a compelling brand that is capturing international attention. Reynolds is known around the world as BioTown, USA (2008)—the first town in the industrialized world planning to go *off the grid* by creating all of its own energy. Their brand has certainly caught the attention of the media, with coverage from the *New York Times*, *USA Today*, and other national and international publications. Recently, their successful brand is spilling over into all of north-central Indiana where a regionwide strategy related to clean energy and renewable energy sources is emerging. Reynolds’ brand and resulting marketing efforts are attracting resources from across the globe.

Civic Collaboration. One of the keys to succeed in an *ED 2.0* environment is to recognize and react to opportunities quickly. Successful companies have figured this out, constantly evaluating the marketplace and then, quickly, forming alliances and partnerships to take advantage of windows of opportunity that may be open for only a short time. Communities and public institutions have a much more difficult time with rapid responses. New models for civic collaboration involve processes for joint decisionmaking that achieve collective results beyond what participants could accomplish working alone. Collaboration involves a range of activities, including communication, information sharing, coordination, cooperation, problem solving, and negotiation. Collaboration implies innovation and breakthrough results.

Strategic Doing: Creating New Opportunities for Civic Engagement.

Canadian Policy Research Networks, Inc. has published a helpful guide called *Handbook on Citizen Engagement: Beyond Consultation* (Sheedy 2008) that outlines the importance of building inclusive civic collaborations to support community and economic development. The guide reminds readers that engaging citizens in a meaningful way first requires an understanding of the philosophy and vision of civic engagement. It calls for not only planning and preparation, but it also urges that capacity must often be built within our institutions. Civic engagement can demand a shift in organizational culture and perceptions of what a broad group of stakeholders can bring in addressing community issues.

Conclusion

The *ED 2.0* environment, like *Web 2.0*, is ever-changing and evolving, and the challenge is to develop ways in which we can all learn from the successes and the failures. A growing number of people and organizations are beginning to catalogue and disseminate information about new innovations

in ED. Staying tuned in to these sources is a great way to keep informed. Two of these sources of information include the blog of the Purdue Center for Regional Development at www.pcrd.typepad.com and Ed Morrison’s EDPro blog at <http://edpro-weblog.net>.

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