Executive Summary

Globalization has profoundly changed how the most successful local leaders and economic development practitioners think about economic development.

- **First, the scale has changed, shifting from a local to a regional development policy level.**

Metropolitan and rural areas alike now act regionally to compete globally. Individual localities collaborate as regions to gain the size or clout to compete. This may mean overcoming a history of localized competition and even distrust. Successful local leaders reach beyond their parochial interests to link assets and competitive advantages throughout their broader region. Indeed, many of today’s best economic opportunities emerge only at the scale of the broader region.

- **Second, economic development success is no longer achieved primarily through traditional industrial recruitment.**

In a global economy, trying to compete based on cost alone will have limited success. Rather than emphasizing incentives, subsidies and low-cost, low-skill labor, the new race is won by regions with the capacity to innovate and with the brainpower—education and skills—needed to create and sustain a competitive advantage over the long run. Successful regions build on their own unique qualities and advantages.

Project Purpose

The Economic Development Administration commissioned this research project to put tools into the hands of local civic leaders and economic development practitioners so that they can more effectively compete in a global context where knowledge and innovation are vital to competitive advantage.

The result of the research is a set of practical analytical tools that regional leaders can use to assess their workforce, human capital and capacity to innovate within their region. The project is the first of its breadth and depth. But this report does more than provide tools to evaluate “where we are.”

The project also has a strategic component. It presents a framework for regional leaders to collaborate to achieve mutual regional development goals. Using the results of the analytical tools, the framework helps guide the discussions of regional leaders in selecting sound strategies and in identifying the united efforts required to achieve common goals.
Regional Collaboration
A basic premise of this report is that data, tools and analysis are essential, but not enough. Regional development requires public and private leaders who collaborate, who share a strategic vision and who build enduring partnerships to achieve that vision.

To be truly useful, analytical tools should facilitate a dialogue. The tools should be integrated into the process of building trust among regional leaders.

- In regional collaboration, the process is the product.

This process may not be smooth at first, but with time, energy and dedication, a thriving community of economic development leaders will emerge. Leaders must have the knowledge, tools and desire to adjust their region’s direction to meet the challenges of the future.

Four Tools
Four tools were designed with the economic development practitioner in mind. The tools are web-based, user-friendly and available to everyone. All data are on a county-level basis and can be used according to pre-established regional definitions, or the user can build custom regions county by county.

These tools may be especially helpful to practitioners who do not have the luxury of a sizeable staff of economic development analysts, planners and other professionals. The four tools are:

- **Industry Clusters** are regional groups of businesses that are linked in the production process and may have similar needs for technology, infrastructure, support services and a shared pool of labor. This analysis shows how the regional economy is working and where the critical linkages are to maintain or build that economy.

- Occupations are grouped according to similar knowledge and skill requirements. These **Occupation Clusters** are indispensible to link regional industries with workforce requirements, available human capital, education and training needs, and new directions.

- An **Innovation Index** presents an overall picture of a region’s capacity to innovate and transform its economy. Like the industry and occupation cluster tools, this index helps assess a region’s competitive advantages and weaknesses, and gauges how adept the region may be in exploiting new and emerging industries.

- A **Regional Strategy and Investment Framework** that uses the information gained from these three analytical tools to guide regional leaders toward a common regional vision, strategy and action. The process of developing a regional strategy will likely require several group discussions with a coach acting as a catalyst and guide. Using a tool for prioritizing public investment, the coach would also guide leaders through the discipline of prioritizing investments that best align with the region’s development strategy.
Practitioner’s Guide
Practical tips for using these tools are presented in a stand-alone practitioner’s guide. In addition, an online set of over 200 downloadable maps are available to help the analyst or policy-maker gain insight into regional advantages or competitive gaps. Analytical profiles of four regions in the United States also serve as examples for regional planners, analysts and economic development practitioners.

All the data, tools, practitioner’s guide and roadmap for regional strategy building can be found at: www.statsamerica.org/innovation.

The Research Partnership
Five organizations conducted this research, and each brings a unique set of expertise and capacity. Although the focus, roles and responsibilities of each partner differed, the team made special efforts to maximize the strength of its collaboration.

Purdue University’s Center for Regional Development (PCRD) and Dr. Brigitte Waldorf of the Purdue College of Agriculture, with support from Economic Modeling Specialists Incorporated (EMSI), took the overall lead in constructing the occupation and skill cluster database and tools, while providing overall project coordination. In an earlier project, PCRD and the Indiana Business Research Center (IBRC) created the industry cluster database and web tools, now incorporated into the current project.

Leadership for creating the index of innovation was vested with the IBRC at Indiana University’s Kelley School of Business. The framework and tool for prioritizing and aligning public investment was the responsibility of the Rural Policy Research Institute (RUPRI), with input and assistance from PCRD.

While these three tools were in the developmental stages, local stakeholders were engaged to provide feedback and make suggestions for improvement and modifications. These stakeholders included local leaders and economic development practitioners in four different regions: two in Indiana; a two-state region in Alabama and Mississippi; and a tri-state region in Illinois, Iowa and Wisconsin.

Strategic Development Group, Inc. (SDG) provided overall leadership for the field work framework and stakeholder mobilization strategy. SDG also facilitated the stakeholder focus groups, meetings and other processes for the two regions in Indiana. In the remaining two regions, RUPRI assumed this role.

Finally, IBRC took the leadership role in designing and creating the information architecture that allows the tools and data to be web-based and readily accessible by the intended audience and users.