

# Strategic Economic Development Planning

## and the Management of Change



**Mark L. Seasons, MCIP**

Mark Seasons is a doctoral candidate in the School of Urban and Regional Planning, University of Waterloo. His research focus is the application of strategic planning to local economic development. Mr. Seasons has worked as an urban and regional planner in Ontario, Alberta, and New Zealand. He is currently involved in the research and development of a strategic economic development plan for a city in south-western Ontario. Mr. Seasons is a member, Canadian Institute of Planners.

This paper looks at the changing nature of our economy, and how municipal economic development professionals can improve the management of local economic change through strategic planning. The concept of strategic economic development planning (SEDP) is outlined. The paper concludes with some guidelines for the introduction of SEDP in communities.

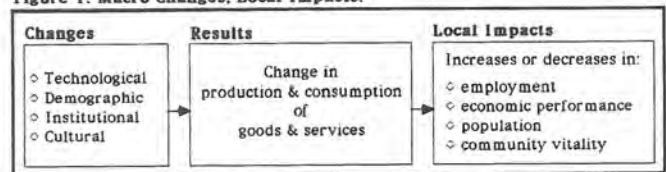
### Change and Local Economic Development:

Most of us are familiar with the changes that affect the quality of life in our communities. The number of opinions and literature about change is extensive, including Naisbitt's (1982) description of "megatrends", Toffler's (1981) "third wave", Bell's (1973) "post-industrial society", and Schumacher's (1974) "small is beautiful" theory what were once abstract thoughts are now our shared reality.

Change is particularly apparent in our economy. Dramatic advances in technology, and shifts in demography have created different patterns in the production and consumption of goods

and services. Industrialized nations are producing more services that "things". Firms are substituting capital (e.g. robots) for labour in the search for improved productivity. More industries are "footloose" and have non-traditional location requirements. The advent of "freer" trade exposes some industries and sectors to decline, and creates opportunity for others as our economy is restructured (1.) Figure 1 illustrates some of the macro-level factors that create change at the community level.

Figure 1: Macro Changes, Local Impacts.



### Pressure for Results

These changes will have major impacts on communities, and on municipal economic development practice. Communities will have to "think globally, and act locally" in the increasingly intense competition for economic development (2.) The community's expectations of its economic development professionals (EDP's) will be high. Their job will be



to position communities to adapt to, and exploit, change. The municipal economic development professional must identify, understand, plan for, and demonstrate how to manage these changes to the benefit of the community. Strategic economic development planning (SEDP) can help the economic development professional meet these challenges.

## Strategic Economic Development Planning (SEDP)

Strategic planning has become rather trendy (3). Hypoerbole aside, strategic planning intuitively makes sense and can improve an organization's management (4). With modifications, the strategic planning process and principles can be applied to local economic development planning, to become strategic economic development planning (SEDP). There are as many interpretations of strategic economic development planning as there are analysts of the process; here is one composite definition:

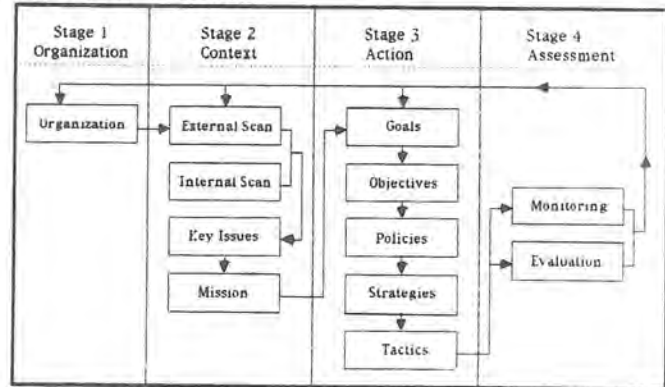
"Strategic economic development planning represents a way of thinking about local economic change and its management. Strategic economic development planning is also an interactive and integrated process of analysis which enables a community to adapt to change through the critical, and ongoing, assessment of its status relative to the evolution of its operating environment. The provision of decision-making context directs and enhances the quality and effectiveness of implementation efforts".

Several characteristics make this type of planning "strategic". Strategic economic development planning focusses on key actions implementable by the community; lengthy "wish-lists" of goals, objectives, and policies are avoided. The idea is to stimulate, and convert, thought about economic development problems and potentials into tangible, co-ordinated actions. The operational time-frame for strategic economic development planning is rarely more than five years. The community, which is the subject of the exercise, is considered part of a larger environment which is complex and constantly changing (5).

## The SEDP Process

As Figure 2 indicates, there are four distinct yet highly integrated stages in the strategic economic development planning process.

Figure 2: The SEDP Process.



Source: After Sorokin et al. (1984)

### Stage 1: Organizing for SEDP

The organizational framework must be in place prior to start-up of strategic economic development planning. SEDP will require team-work; no single agency has the skills or resources required to undertake the complete process. Tasks have to be defined, and responsibilities delegated for each aspect of the process. A high degree of co-operation is critical, as well as the quality of community leadership, the credibility of the participants and organizations involved, and the potential for consensus among community stakeholders on local economic development issues (6).

The lead co-ordinative role is usually taken by the municipal government; the many and varied community actors contribute in and advisory capacity. The resources of local government, the private sector, not-for-profit agencies, and special interest groups (e.g. organized labour) should be identified and "tapped". Consultation about the issues and solution options with these groups is essential to minimize conflicts and dissension, cover the main issues, and obtain community-wide support for local economic development (7).

### Stage 2: Context-Setting

The second stage, context-setting, involves the collection and interpretation of the information necessary to answer the "what exactly is happening out there?", "what should we (the community) be doing?", (the mission), and "how should we do it?" questions. The environmental scan provides the context necessary to assess the relative internal strengths and weaknesses of the community in terms of the external opportunities and threats identified in the community's economic development



operating environment. The regular review of government publications, leading business journals, newspapers, and advice gleaned from an established network of community advisors provides sufficient material for the scan. There is usually no need for more sophisticated analytical tools. It may be a matter of interpreting existing data differently.

Key issues that will affect the community's future economic development can then be explored. Goals stating the philosophy of local economic development, objectives that set targets for action, and policies that specify conditions for action are prepared to complete this stage. Figure (3) indicates common SEDP information needs and sources.

Figure 3: SEDP Information Needs and Sources.

		Information Sources					
		Business Journals	Other Periodicals	Newspapers	Selected Government Documents	Inter-Personal Networks	Colleges & Universities
Information Needs	Demographic Trends	✓	✓	✓	✓	✓	✓
	Economic Trends	✓	✓	✓	✓	✓	✓
	Government Policies	✓	✓	✓	✓		✓
	Business Attitudes	✓	✓	✓		✓	✓
	Impacts of Technology	✓	✓	✓	✓		✓
	Investment Patterns	✓	✓	✓	✓	✓	✓
	Market Trends	✓	✓	✓	✓	✓	✓

Note: Usefulness of information sources will vary with complexity of data needs.

### Stage 3: Planning Becomes Action

In the third stage, planning is linked to action. The plan is operationalized. Several key strategies - the plans of action, are chosen to attain the selected goals. Tactics, the specific actions and resources required to achieve the strategies, are defined and implemented. Priorities are set, project, policy, and program staging determined, and responsibilities delegated that reflect the community's economic development interests and resources. (see Figure 4 for a case study).

### Stage 4: Monitoring and Evaluation

The final stage comprises the essential monitoring and evaluation of progress toward the stated goals and objectives. Performance measures should be developed and applied (8). The appropriateness of the strategies should be constantly evaluated as the process evolves; adaptation of the strategies and tactics in response to changes in

the operating environment is a fundamental part of the strategic economic development planning process (see Figure 4).

## Figure 4: A SEDP Case Study

### Background:

The residents of the Town of X are concerned about the community's economic development future. The local economic base is heavily reliant upon several textile manufacturing firms. Many residents question the future of this industry. The municipal government is responsible for local economic development.

### Stage 1: Organization

The municipal economic development professional (EDP) reports to the Town Manager. A small Advisory Committee comprising local politicians, representatives of the business community, local unions, major public sector actors, and special interest bodies, assists the EDP. The EDP and Committee may call upon the resources of the larger community as required. The community expects regular consultation about local economic development issues and solution options.

### Stage 2: Context-Setting

The EDP, in consultation with the Advisory Committee, identifies the community's strengths and weaknesses in the context of identified threats and opportunities outside the community. The preliminary environmental scan confirms the community's economic base is too dependent upon textile manufacturing; this is a weakness, given the threat posed in the external environment through the dismantlement of tariff protection.

The EDP and Committee decide that local impacts could include plant closures, and the permanent loss of 50 full-time jobs. The key issue is to minimize the potential long-term damage caused by this trend. A key goal is to diversify the local economic base. A measurable objective is to generate four additional, non-textile businesses, each employing 10-15 full-time employees, by 1990. A clarifying policy is that community support is to be given to local entrepreneurs to improve commitment to the community.

### Stage 3: Planning Becomes Action

Following one strategy, the local government could act as a broker/deal-maker to identify



market opportunities, locate potential investors, and select appropriate community sites. A supportive tactic could be to consult the community network to create a match between business opportunities and potential local investors.

#### *Stage 4: Monitoring and Evaluation*

The progress toward realizing this goal would be monitored through constant discussions with key community informants. The appropriateness of the goal and strategy would be evaluated by constantly reviewing industrial and government policy trends. Any changes with potential local impacts would require modification of goals, objectives, policies, strategies, and tactics to remain effective.

### **The Potential Contribution of SEDP**

In summary, SEDP offers the following general benefits in the local economic development environment:

1. Improves the community's knowledge of its economic base;
2. Identifies the nature and extent of macro-level influences on the local economy;
3. Provides an objective framework to achieve consensus on local economic development issues and options;
4. Provides firm direction, leading to realistic and "do-able" local economic development efforts; and,
5. Offers a vehicle to co-ordinate the knowledge and resources of the many, and varied, stakeholders in local economic development.

### **Determinants of Success with SEDP**

The success of strategic economic development planning depends upon factors such as:

1. The urgency of economic development issues; does the community comprehend the local implications of macro-level changes?;
2. The quality of leadership from, and long-term commitment by, Council, senior administrative staff, and key community actors;

3. A shared vision of how economic development contributes to community development;
4. Accessibility to a network of community advisors;

5. Acknowledgment of, and history of consensus among, community stakeholders in local economic development;

6. The degree of local control possible over the community's economic development future; and,

7. The capacity to innovate, and support of change management as a corporate credo throughout the municipal government (9).

### **Benefits for the Municipal EDP**

The municipal economic development professional using SEDP could benefit from:

1. Improved credibility when dealing with other municipal departments;
2. More effective use of individual professional skills and Departmental resources;
3. An enhanced and better defined sense of personal and Departmental mission; and,
4. A clear understanding of local economic development potential, based on a thorough analysis of threats and opportunities, local strengths and weaknesses.

### **Conclusions**

The strategic economic development planning (SEDP) process has a role in future municipal economic development practice. The generic process must be adapted to local circumstances and resources: there is no single, universally applicable model of strategic economic development planning. Strategic economic development planning offers communities, and municipal economic development professionals, the chance to ensure they are "doing the right things" as well as "doing things right" in local economic development.

### **References**

1. For varying perspectives on the restructuring of Western economies, see Cohen and Shannon (1984), Drucker (1986), Radwanski (1986), Royal Commission on Economic Union and Development

Prospects for Canada (1985), Jenkin (1983), Science Council of Canada (1984), and Chapman and Walker (1987).

2. Quoted in Bergman (1983). For some recent analysis of the evolving roles of economic development practitioners, see Malizia (1985), Bendavid-Val (1980), and Federation of Canadian Municipalities (1986).

3. An indication of the level of interest in strategic planning is the number of related articles produced in journals, periodicals, texts, and newspapers. A comprehensive bibliography about strategic planning and strategic management is in progress at the School of Urban and Regional Planning, University of Waterloo. The bibliography will include over 2,000 titles.

4. Several authors provide clear explanations of strategic planning. See Steiner (1979), King and Cleland (1987), Sorkin et al. (1984), Taylor (1984), Eadie (1983), and ICMA (1982). The use of strategic planning is affected by the different missions, values, and stakeholders of public and private sector organizations. See Rogers (1981), Ring and Perry (1985), and Murray (1975) for a discussion of these conditions.

5. See King (1987); also Meyer (1983), and Pflaum and Delmont (1987).

6. See Bryant and Preston (1987), Leavitt (1986), Thompson and Strickland (1984), Mintzberg (1973), and Levy (1981).

7. See Malizia (1985), and Bryant and Preston (1987).

8. Performance measurement is an emerging field in strategic planning. See Thompson and Strickland (1984), and King (1987a) for a discussion of evaluation technique in strategic planning.

9. This philosophy is implicit in two recent Ontario municipal strategic economic development planning efforts. See Regional Municipality of Hamilton-Wentworth (1986), and City of Sudbury (1986).