

STRATEGIC PLANNING AND ECONOMIC DEVELOPMENT: CONCEPTS AND ISSUES--A SYMPOSIUM

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INTRODUCTION

Economic development has become one of the major public policies emphasized by state, county, and city governments for the last two decades (*e.g.*, Eisinger, 1988; Levy, 1990; Luke *et al.*, 1988; McGowan and Ottensmeyer, 1993). The importance of economic development for these governments has to do with changes in both the domestic and international economic and political environments. Domestically, for example, the turbulence of the national economy in the 1970s, the recessions of the early 1980s, the rise of federal budget deficits, and the cutback of federal aid to the states have forced state and local governments to broaden their efforts in economic development. Internationally, the globalization of the world economy, especially the increasing role of foreign trade and investment in the United States, has forced many state (and some large city) governments to become actively involved in international economic activities (*e.g.*, Kline, 1983; Liou, 1993).

To promote economic development, public managers and policy-makers have developed and implemented various policies and programs to attract and retain businesses (*i.e.*, the third wave of state and local economic development policy). The policies and programs emphasized range from reducing the cost of doing business (*e.g.*, production costs, direct loans, industrial parks, job training, tax abatements) to increasing services for business operation (*e.g.*, R&D support, market information, development of social amenities) (Blakely, 1989; Eisinger, 1988; Luke *et al.*, 1988). The effectiveness of these policies and programs has been empirically tested and generally supported in the literature of state and local economic

development (Bartik, 1991).

State and local government officials have recently emphasized the use of strategic planning as one of the key managerial techniques not only to coordinate economic development activities but also to accommodate economic changes (e.g., Allen and Plosila, 1988; Mier, Moe, and Sherr, 1986; Reed and Blair, 1993; Reed, Reed, and Luke, 1987). The linkage between strategic planning and economic development provides an unique opportunity for researchers of public management and policy to examine concepts and issues related to strategic planning and economic development and to make a contribution to the literature of both disciplines.

For strategic planning researchers, the linkage between the two will help them understand the application of strategic planning in the public management and policy arenas. For economic development researchers, the linkage will give them more knowledge about critical issues related to economic development, planning, and management functions.

The purpose of this symposium is to examine the relationship between strategic planning and economic development. This introduction article will first offer explanations about some critical concepts that are related to strategic planning and economic development. Next, this article will summarize major issues and findings of the symposium articles.

CRITICAL CONCEPTS

Economic development has been defined or referred to as different goals or objectives for various governments under different conditions. At the national level, for example, the objective of economic development policy for developed countries is to increase their economic growth, usually measured by such output or income as gross national product (GNP) or gross domestic product (GDP). This objective is different from that of the developing countries. For those countries, the objective of their economic development policy refers not only to increase in the growth rate of GNP or GDP but also to changes in their economic, social, and political structures (Goode, 1984).

Locally-based economic development has been explained as "a process by which local government and/or community-based groups manage their existing resources and enter into new partnership arrangements with the private sector, or with each other, to create

new jobs and stimulate economic activities in a well-defined economic zone" (Blakely, 1989:58). In other words, it is process oriented because local economic development involves the formation, development, and improvement of different institutions, markets, and activities. It is also product or outcome oriented because the goal of local economic development is to increase the number and variety of job opportunities available to local people.

To achieve the goal of increasing jobs, local governments and community groups must play a proactive, not reactive, role in assessing their resources and designing alternative development strategies to promote economic activities (Bergman, 1981; Blakely, 1989). The importance of the proactive role is for local governments to emphasize the planning function and activities in their assessment of short- and long-term effects of their development strategies. Planning is not only necessary but also the key to assure the success of local economic development.

In fact, planning is not an unusual managerial function or technique for local governments with regard to their general daily operation or specific economic development activities. Traditionally, local economic developers have used three planning instruments: the master plan, the zoning ordinance, and the long-term capital budget (Levy, 1990). The three planning instruments are closely related because the master plan is the long-term vision of the physical future of local governments (*i.e.*, the overall pattern of land use and infrastructure development); the zoning ordinance is a detailed expression of the broader vision expressed in the master plan (*e.g.*, types of use, coverage ratios, specific building and parking requirements); and the long-term capital budget is the schedule by which the local governments plan to provide the infrastructure to bring about the vision embodied in the master plan (Levy, 1990:103-104). However, to assure the success of economic development, local governments need to emphasize a new approach to strategic planning to be proactive in dealing with changing economic, political, and social environments.

The concept of strategic planning (or strategic management as later expanded) was developed by private corporations in the late 1950s and early 1960s to help managers to align organizations with their environments so that they could achieve their important objectives. Management researchers such as Kenneth Andrews (1971), H. Igor Ansoff (1965), and George Steiner (1969, 1979) have contributed to the development of strategic planning (Mintzberg, 1994).

Basically, strategic planning refers to a systematic effort to establish basic organizational purposes, objectives, policies, and to develop the strategies which will be used to achieve the organizational purposes (Steiner, 1979).

A common strategic planning model or process consists of at least five broad and interrelated components: 1) environmental scanning (identifying important cultural, demographic, economic, and political factors and their implications for the organization or community; 2) determining the mission and goals (identifying issues and opportunities for new services or approaches based on the environmental scanning; 3) analyzing internal and external strengths, weaknesses, and resource limits (*i.e.*, SWOT analysis); 4) developing action plans and establishing priorities; 5) developing an implementation strategy and monitoring the implementation.

Strategic planning has only recently been emphasized at all levels of government. At the federal level, for example, researchers reported that strategic planning has been used by the Equal Opportunity Commission (EEOC) (Kemp, Funk, and Eadie, 1993) and in transportation and defense matters (Bingman and Kee, 1989). The Government Performance and Results Act of 1992 mandates all federal agencies to prepare and submit strategic plans to the Office of Management and Budget and Congress (Brace, 1995).

At the state level, researchers also noticed the increasing application of strategic planning in state agencies (Berry and Wechsler, 1995; Wechsler, 1989). For example, Berry (1994) indicated that, between 1980 and 1991, at least 264 state agencies in nearly every state initiated strategic planning.

At the local level, researchers (Eadie, 1983; Gargan, 1989; Kaufman and Jacobs, 1987; Sorkin, Ferris, and Hudak, 1984; Wheeland, 1991, 1993) reported that strategic planning has become one of the newest techniques borrowed from the private sector by local government officials. For these officials, strategic planning becomes one of the major tools that they used to manage the change and complexity present in their environments (Bryson, 1989; Denhardt, 1985; Rider, 1983).

Despite the increased role and application of strategic planning in the public sector, public management researchers (Ring and Perry, 1985; Bryson and Roering, 1987) have argued about potential problems associated with the application of private sector models to the public sector. For example, Ring and Perry (1985) identified five major differences in strategic management between the two sectors.

They are: 1) policy ambiguity in public management resulting from the prevention of the arbitrary exercise of power; 2) the openness of government operations (fishbowls) because of the media's frequent and thorough public scrutiny; 3) attentive publics that are related to a wide range of stakeholder interests; 4) the time problem of public management associated with the tenure of public officials and the requirements of legislatures; and 5) shaky coalitions that were created to get policy passed that may break up during the implementation stage.

Bryson and Roering (1987) also emphasized that public managers and planners must be very careful about the application of strategic planning. They indicated that not all approaches to strategic planning are equally useful and that the success of the application will depend on how the process is tailored to their specific conditions and needs.

Finally, Bryson and Einsweiler (1987) explained that an emphasis on strategic planning does not preclude local comprehensive planning and that the two can be complementary. Unlike the narrow agenda of comprehensive planning, strategic planning is valuable to government officials because it embraces all of government's actual and potential roles.

With regard to local economic development, the application of strategic planning concepts in the development process should include the following issues: 1) the analysis of the local economic base; 2) the examination of the local external opportunities and constraints (SWOT analysis); 3) the identification of key stakeholders and issues; 4) the establishment of a shared mission, goals, and programs; 5) the development of strategies to deal with each program; 6) the preparation of action plans; and 7) the monitoring and evaluation of programs and results (Blakely, 1989:74; Reed and Blair, 1993:89). The success of applying the common strategic model for economic development depends on the careful consideration of the unique environment of the individual community and the leadership and support from the community.

SYMPOSIUM ISSUES

After reviewing the critical concepts related to strategic planning and economic development, this symposium introduction also provides summaries of the key issues and the conclusions of the four articles included in the symposium. The articles address the issue of

strategic planning and economic development from different perspectives and cover such topics as: 1) linking economic development to strategic planning; 2) gaining a competitive edge; 3) hometown economic development; and 4) strategic planning for economic development.

In the study linking economic development to strategic planning, William J. Pammer, Jr. examined issues that are critical to local governments. Based on case examples in Ohio and Florida, Pammer first examines the necessary preconditions for linking economic development and strategic planning. He then discusses the adaptation of an economic development strategic plan to different community situations by analyzing two problem-solving models: a steering committee-web structure and a Myers-Briggs problem-solving structure.

Pammer finally emphasizes the major components of the implementation of an economic development strategic plan, including a completed strategic planning process and the production of a strategic planning document, designation of a specific entity with resources to accomplish specific strategies within specified time periods, and evaluation and assessment of the implementing elements of the plan.

Emphasizing the importance of gaining a competitive edge, Robert P. McGowan and Dennis Wittmer discuss how states and localities can use strategic management and be more proactive in their economic development efforts. McGowan and Wittmer first provide definitions and explanations about economic development and strategic planning and management. Using case examples from different states, they emphasize the interaction of four function in linking strategic management and economic development: 1) leadership; 2) the availability of supportive individuals; 3) the ability to establish effective controls over the management process; and 4) the need for external political support.

McGowan and Wittmer finally discuss the policy and managerial implications of economic development efforts. The former includes a coordinated planning function, the importance of balancing regional interests, and the short-term vs. the long-term perspective; the latter covers such issues as leadership, communication, and execution.

In their article, "Homegrown Economic Development," Maria P. Aristigueta and Jose I. Fernandez, Jr. examine the implementation of an economic development program (the Hispanic Business Initiative Fund, HBIF) in the Hispanic communities of Central Florida.

Aristigueta and Fernandez first emphasize the importance of targeting minority communities for economic development. They then provide detailed information on the background and development of the HBIF as well as the formulation and implementation of the strategic planning initiative for the HBIF. They finally discuss such important issues as community needs, leadership commitment and stability, outcome measures, and cultural diversity.

Finally, Robert Blair analyzes the issue of strategic planning for economic development by focusing on the role of program evaluation. Blair first describes how and why economic development and strategic planning are linked. He then discusses the assessment of the effectiveness of economic development and emphasizes the importance of strategic planning methods.

An evaluation model for economic development includes the major steps emphasized in the strategic planning process: identifying specific economic development program goals; selecting economic development program criteria; formulating evaluation research design; measuring program activities; and estimating the overall effect of program outcomes. Blair finally explains the experience of applying an evaluation model to a strategic planning program that has been implemented in more than 30 Nebraska communities.

CONCLUSION

The four articles included in this symposium have provided not only a comprehensive review of major concepts and issues but also several case studies associated with the application of strategic planning in economic development activities. Because of the space limitation, this symposium only focused on the experience of strategic planning and economic development at the state and local levels.

Future studies of the relationship between strategic planning and economic development can further our knowledge in the field by examining similar implementation, management, and evaluation issues at the national or international levels. For example, future studies can address such issues as: Is it possible for developing countries to use strategic planning to improve their economic development activities? What are the potential problems for developing countries to implement strategic planning in their economic development policy?

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