

A framework for community and economic development

Community development has evolved over the past few decades into a recognized discipline of interest to both practitioners and academicians. However, community development is defined in many different ways. Most practitioners think of community development as an outcome – physical, social, and economic improvement in a community – while most academicians think of community development as a process – the ability of communities to act collectively and enhancing the ability to do so. This Lecture defines community development as both a process and an outcome and explains the relationship between the two. A related discipline, economic development, is also defined in different ways. This Lecture offers a holistic definition of economic development that not only includes growing businesses and creating jobs but increases in income and standards of living as well. Economic development is also shown to be both an outcome and a process. The community and economic development chain show the links, causal relationships, and feedback loops between community and economic development, and illustrates how success in one facilitates success in the other.

Introduction

Community development has many varying definitions. Unlike mathematics or

physics where terms are scientifically derived and rigorously defined, community development has evolved with many different connotations. Community development has probably been practiced for as long as there have been communities. It is hard to imagine the American colonies being successfully established in the seventeenth century without some degree of community development, even if the term had not yet come into existence. Many scholars trace the origin of modern community development as a discipline to post World War II reconstruction efforts to improve less developed countries. Others cite the American “war on poverty” of the 1960s with its emphasis on solving neighborhood housing and social problems as a significant influence on contemporary community. The origins of community development are actually very old. A major contribution of community development was the recognition that a city or neighborhood is not just a collection of buildings but a “community” of people facing common problems with untapped capacities for self-improvement. Today, community is defined in myriad ways: in geographic terms, such as a neighborhood or town (“place based” or communities of place definitions), or in social terms, such as a group of people sharing common chat rooms on the Internet, a national professional association or a labor union (communities of interest definitions).

EVOLUTION OF COMMUNITY DEVELOPMENT

Community development as a profession has deep roots, tracing its origins to social movements (it is, after all, about “collective” action) of earlier times.

Beyond North America, community development may be called “civil society,” or “community regeneration,” and activities are conducted by both government and non-governmental organizations (NGOs). There may or may not be regulation of organizations, depending on different countries’ policy framework. The Progressive Movement of the 1890s through the first few decades of the twentieth century was all about community development, although the term itself did not arise until mid-century. During the 1950s and 1960s, social change and collective action again garnered much attention due to the need to rectify dismal conditions within poverty-stricken rural areas and areas of urban decline. The civil rights and antipoverty movements led to the recognition of community development as a practice and emerging profession, taking form as a means to elicit change in social, economic, political and environmental aspects of communities. Community development has evolved into a recognized discipline drawing from a wide variety of academic fields including sociology, economics, political science, planning, geography, and many others. Today there are many academic and professional journals focusing on community development. The interest of researchers and practitioners from many different disciplines has contributed greatly to the

growth and development of the field. However, community development's growth and interdisciplinary nature have led to the current situation where it is defined and approached in many different ways, and, all too often, "never the twain shall meet." This Lecture takes a broad approach to community development. While it is impossible in one Lecture to completely cover such a large field, many different aspects of community development are included. In particular, the authors believe the strong interrelationship between community and economic development is often overlooked in research and practice. This interrelationship is one focus of this Lecture. The terms community development and economic development are widely used by academicians, professionals, and citizens from all walks of life and have almost as many definitions as users. Economic development is perhaps more familiar to laypersons. If random individuals on the street were asked what economic development is, some might define it in physical terms such as new homes, office buildings, retail shops, and "growth" in general. Others might define it as new businesses and jobs coming into the community. A few thoughtful individuals might even define it in socio-economic terms such as an increase in per capita income, enhanced quality of life, or reduction in poverty. Ask the same individuals what community development is, and they would probably think for a while before answering. Some might say it is physical growth – new homes and commercial buildings – just like economic development. Others might say

it is community improvement such as new infrastructure, roads, schools, and so on.

Most respondents would probably define community and economic development in terms of an *outcome* – physical growth, new infrastructure, or new jobs.

Probably no-one would define them in terms of a *process* and many would not understand how they are interrelated. This is unfortunate because some of these passers-by are probably involved in community and economic development efforts, serving as volunteers or board members for chambers of commerce, economic development agencies, or charitable organizations. The purpose of this introductory Lecture is to provide meaningful descriptions of community development and economic development as both processes and outcomes, explore what they entail, and understand them as distinct yet closely related disciplines. First, the focus will be on community development, followed by a discussion of economic development, and finally, an examination of the relationship between the two.

Community development

The beginning step in defining community development is to define “community.”

As mentioned previously, community can refer to a location (communities of place) or a collection of individuals with a common interest or tie whether in close proximity or widely separated (communities of interest). Community can be defined as:

People who live within a geographically defined area and who have social and psychological ties with each other and with the place where they live.

(Mattessich and Monsey 2004: 56)

A grouping of people who live close to one another and are united by common interests and mutual aid.

(National Research Council 1975 cited in Mattessich and Monsey 2004: 56)

A combination of social units and systems which perform the major social functions ... (and) the organization of social activities.

(Warren 1963 cited in Mattessich and Monsey 2004: 57)

These definitions refer first to people and the ties that bind them and second to geographic locations. They remind us that without people and the connections among them, a community is just a collection of buildings and streets. In this context, community development takes on the mantle of developing stronger “communities” of people and the social and psychological ties they share. In deed this is how community development is defined in much of the literature. All of these concepts of community development focus on the *process* of teaching people how to work together to solve common problems. It can also be defined more in terms of an action, result, or *outcome*: local decision making and program development resulting in a better place to live and work; or a group of people initiating social action to change their economic, social, cultural and/or

environmental situation .These conceptions show that community development should be considered as both a process and an outcome. Therefore, a working definition of community development in simple but broad terms is:

A process: developing and enhancing the ability to act collectively, and an outcome: (1) taking collective action and (2) the result of that action for improvement in a community in any or all realms: physical, environmental, cultural, social, political, economic, etc.

Having arrived at a comprehensive definition of community development, the focus can now shift to what facilitates or leads to community development.

The community development literature generally refers to this as *social capital* or *social capacity*, which describes the abilities of residents to organize and mobilize their resources for the accomplishment of consensual defined goals.

Simply put, social capital or capacity is the extent to which members of a community can work together effectively to develop and sustain strong relationships; solve problems and make group decisions; and collaborate effectively to plan, set goals, and get things done. There is a broad literature on social capital with some scholars making the distinction between *bonding capital* and *bridging capital*. Bonding capital refers to ties within homogeneous groups

(e.g., races, ethnicities, social action committees, or people of similar socio-economic status) while bridging capital refers to ties among different groups.

There are four other forms of “community capital” often mentioned in the community development literature:

1. Human capital: labor supply, skills, capabilities and experience, etc.
- 2 Physical capital: buildings, streets, infrastructure, etc.
- 3 Financial capital: community financial institutions, micro loan funds, community development banks, etc.
- 4 Environmental capital: natural resources, weather, recreational opportunities, etc.

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Economic development

As with community development, modern economic development grew in part

from efforts to improve less developed countries and the American war on poverty. Appalachian Mountains region. Initially, most economic development agencies focused on industrial recruitment – enticing new companies to locate in their communities. State and local departments of economic development aggressively courted industry and increased the amount and variety of incentives. Soon it became apparent that thousands of economic development organizations were chasing a limited number of corporate relocations/expansions and playing a highly competitive game of incentives and marketing promotions. As communities realized that there were other ways to create jobs, they began to focus on internal opportunities such as facilitating small business development and ensuring that businesses already located in the community stayed and expanded there. Like community development, economic development has evolved into a broad and multidisciplinary field.

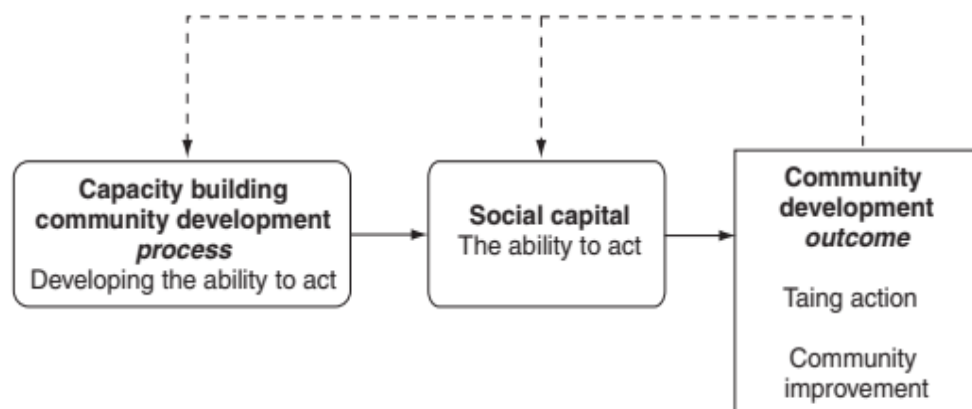


Figure 1.1 Community development chain

Most economic developers concentrate on creating new jobs. This is generally the key to wealth creation and higher living standards. Job creation generally involves the “three-legged stool” of recruiting new businesses, retaining and expanding businesses already in the community, and facilitating new business startups. As discussed previously, economic developers originally concentrated mainly on recruiting new businesses. Stiff competition for a limited number of new or expanded facilities in a given year led some communities to realize that another way to create jobs is to work with companies already in the area to maximize the likelihood that, if they need to expand existing operations or start new ones, they would do so in the community and not elsewhere. Even if an expansion is not involved, some businesses may relocate their operations to other areas for “pull” or “push” reasons. They may relocate to be closer to their customers, closer to natural resources, or for any number of strategic business reasons (“pull”). Businesses may also relocate because of problems with their current location such as an inadequate labor force, high taxes, or simply lack of community support (“push”). Although communities cannot influence most pull factors, they can act to mitigate many push factors. If the problem is labor, they can establish labor training programs. If the problem is high taxes, they can grant tax incentives in return for creating new jobs. Business retention and expansion has become a recognized subfield of economic development, and there are many guides on the subject. There is also

much that communities can do to facilitate the start-up of new local businesses. Some communities create business incubators where fledgling companies share support services, benefit from reduced rent, or even get free consulting assistance. Financial assistance, such as revolving loan funds at reduced interest rates, is also a common tool used to encourage small business start-ups. Making a community “entrepreneurial friendly” is the subject of importance which will also be discussed later in the lessons that follow. While the majority of new jobs in most regions are created by business retention and expansion and new business start-ups, many communities continue to define economic development in terms of recruiting new facilities. Some communities are stuck in the old paradigm of “smokestack chasing” – relying solely on recruiting a new factory when manufacturing employment is declining nationally and many companies are moving off-shore. These communities may have historically relied on traditional manufacturing companies for the bulk of their employment (e.g., textile mill or garment factory), and when these operations shut down, the only thing they knew to do was to pursue more of the same. Elected officials, civic board members, and citizens in these communities need to be educated and enlightened to the fact that the paradigm has shifted. They should be recruiting other types of businesses such as service industries (that are not going off-shore themselves) while practicing business retention and expansion and creating new business start-up programs.

While economic development today is often defined by the “three-legged stool,” there is much more to the profession. As shown in a recent survey (SEDC 2006), economic developers get involved in workforce development, permitting assistance, and many other issues, some of which are better defined as community development. Many communities are beginning to realize that it is often better, especially when recruiting new companies, to practice economic development on a regional basis and combine resources with nearby communities. Rather than create an economic development agency providing the same services for every community, it is usually more efficient to combine resources and market a region collectively through one larger organization. Regardless of where a new facility locates or expands, all communities in the region will benefit as employees live in different areas and commute to work. companies for the bulk of their employment (e.g., textile mill or garment factory), and when these operations shut down, the only thing they knew to do was to pursue more of the same. Elected officials, civic board members, and citizens in these communities need to be educated and enlightened to the fact that the paradigm has shifted. They should be recruiting other types of businesses such as service industries (that are not going off-shore themselves) while practicing business retention and expansion and creating new business start-up programs. While economic development today is often defined by the “three-legged stool,” there is much more to the profession. As shown in a

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The relationship between community and economic development

While conceptions and definitions of community and economic development vary, in practice they are inextricably linked on many levels and are highly synergistic. To understand these synergies, consider another definition of community development. Community development is ... a planned effort to produce assets that increase the capacity of residents to improve their quality of life. These assets may include several forms of community capital: physical, human, social, financial and environmental. The process of creating wealth through the mobilization of human,

financial, capital, physical and natural resources to generate marketable goods and services. The economic developer's role is to influence the process for the benefit of the community through expanding job opportunities and the tax base. These two definitions are clearly parallel. The purpose of community development is to *produce* assets that may be used to improve the community, and the purpose of economic development is to *mobilize* these assets to benefit the community. Both definitions refer to the same community capital assets: human, financial, and physical (environmental or natural resources). As mentioned above, a more modern holistic definition of economic development would include not only wealth and job creation but increasing the quality of life and standard of living for all citizens. This expanded definition is certainly compatible with community development. The definition of economic development does not include social capital per se, but while economic developers might not have used this term when this definition was created, it will be seen that social capital is important for economic development as well as for community development. As most economic developers will attest, a key to success in economic development – new business recruitment, retention and expansion of existing businesses, and new business start-up – is to have a “development-ready” community. Most businesses operate in competitive markets, and one of the major factors influencing business profitability is their location. When making location decisions, businesses

weigh a host of factors that affect their costs and profits such as:

- available sites and buildings;
- transportation services and costs (ground, water, air);
- labor cost, quality and availability;
- utility costs (electricity, natural gas);
- suitability of infrastructure (roads, water/sewer);
- telecommunications (Internet bandwidth);
- public services (police and fire protection).

Quality of life factors (e.g., education, health care, climate, recreation) are also important in many location decisions (Pittman 2006). If a community scores poorly in these factors, many companies would not consider it development ready. A weakness in even one important location factor can eliminate a community from a company's search list. Whether a community is considered development ready depends on the type of business looking for a location. For example, important location criteria for a microchip manufacturing facility include a good supply of skilled production labor, availability of scientists and engineers, a good water supply, and a vibration-free site. A call center seeking a location would focus more on labor suitable for telephone work (including students and part-time workers), a good non-interruptible telecommunications network, and, perhaps, a time zone

convenient to its customers. While location needs differ, a community lacking in the location factors listed above would be at a disadvantage in attracting or retaining businesses. Shortcomings in these or other location factors would increase a firm's costs and make it less competitive. In addition, companies are risk averse when making location decisions. If a company is comparing two similar communities where one has a prepared site that is construction ready with all utilities in place and the other offers a cornfield and a promise to have it developed in six months, it is apparent which the company will choose. Most companies would not want to incur the risk that development of a site would be delayed by construction problems, cost overruns, or simply by local politics. Lost production equates to lost revenues and profits. There are many location factors that are subjective and not easily quantified. For example, it is not feasible to objectively measure factors such as work ethic, ease of obtaining permits, or a community's general attitude toward business (these and other factors are sometimes collectively referred to as the "business climate"). Yet in the final decision process after as many factors as possible have been quantified, these intangibles often determine the outcome. Most company executives prefer to live in desirable communities with good arts and recreation, low crime, and a neighborly, cordial atmosphere. It should be apparent now how important community development is to economic development. If a community is not

development ready in the physical sense of available sites, good infrastructure, and public services, it will be more difficult to attract new businesses and retain and expand existing ones. New businesses starting up in the community would be at a competitive disadvantage. Being development ready in this physical sense is an *outcome* of community development (taking action and implementing community improvements). The *process* of community development also contributes to success in economic development. First, as has been discussed, the process of community development (developing the ability to act in a positive manner for community improvement) leads to the outcome of community development and a development-ready community. In addition, some of the intangible but important location factors may be influenced through the process of community development. Companies do not like to locate in divided communities where factions are openly fighting with one another, city councils are deadlocked and ineffective, and citizens disagree on the types of businesses they want to attract (or even if they want to attract any businesses). As a company grows, it will need the support of the community for infrastructure improvements, good public education, labor training, and many other factors. Communities that are not adept (or worse, are totally dysfunctional) at the process of community development are less likely to win the location competition. Furthermore, company executives would probably prefer not to live in such a place. As discussed, economic

development, like community development, is also a process. Establishing and maintaining a good economic development program is not easy. Significant resources must be devoted to hiring staff, providing suitable office facilities, and marketing the community. Most communities that are successful in economic development have strong support (financial and otherwise) from both the public and private sectors. Success in economic development does not come overnight. Some community residents mistakenly believe that if a local economic developer gets on a plane and calls on corporations in distant cities, these companies will see how wonderful their fair city is and choose to locate there. There are two problems with this belief:

- (1) there are thousands of other “fair cities” competing for new facilities, and
- (2) relocation and expansion decisions happen only sporadically for most companies.

Communities that are successful in economic development devote the appropriate resources to the effort, design good programs, and stay with them for the long-haul. Over time a good economic development program pays dividends. If communities’ approach economic development in a start-and-stop fashion, frequently changing programs as, say, new mayors take office, the likelihood of success is significantly lower. A well-planned and widely supported economic development program based on consensus building through the process of

community development has a much higher likelihood of success. They also point out that the link between community development and economic development is sometimes not understood or appreciated: Economic development theory and policy have tended to focus narrowly on the traditional factors of production and how they are best allocated in a spatial world. We argue that community economic development must be broader than simply worrying about land, labor and capital. This broader dimension includes public capital, technology and innovation, society and culture, institutions, and the decision-making capacity of the community

The authors make it clear that community development and economic development are inextricably linked, and if scholars and practitioners of economic development do not address community development, they are missing an important part of the overall equation. When these communities take action (community development outcome), they create and maintain effective economic development programs that mobilize the community's resources. They also improve their physical and social nature and become more development ready, which leads to success in business attraction, retention and expansion, and start-up. Citizens should understand the community and economic development chain in order to move their communities forward efficiently and effectively. While community developers might not believe they are practicing economic development and vice versa, in reality, they are all

practicing community economic development.

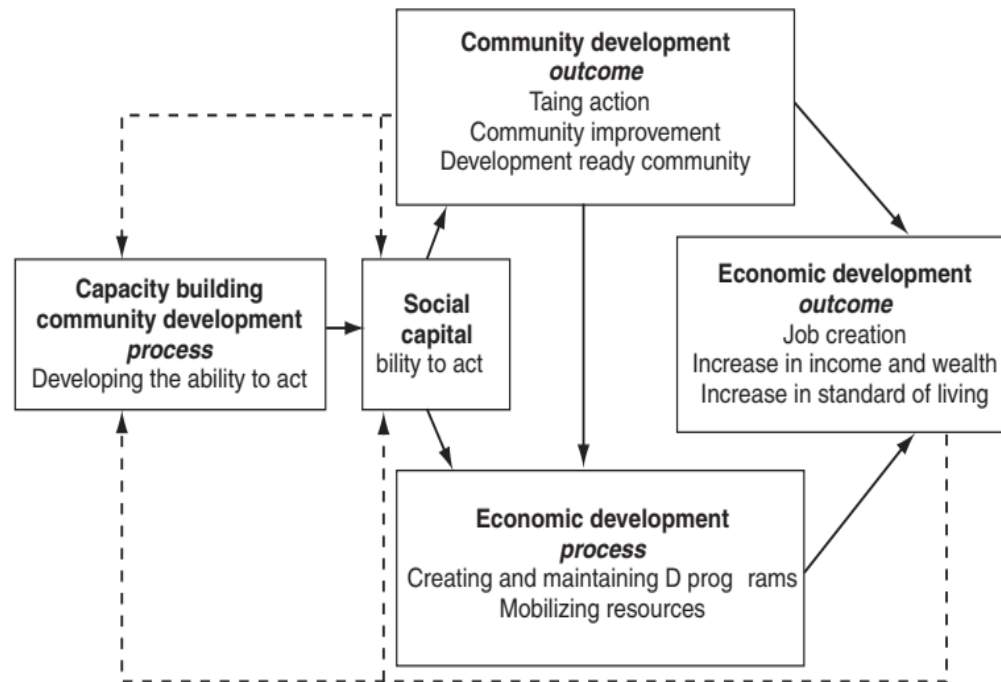


Figure 1.3 Community and economic development chain

Who practices community and economic development?

The short (and correct) answer to this question is that all citizens who are interested in moving their communities forward should consider themselves practitioners of community and economic development. In practice, community and economic developers can broadly be classified into two basic groups: paid professionals and volunteers. As we have discussed, community development is a broad field encompassing all aspects of society – housing, health care, education, transportation, and so on. Therefore, in theory any paid professional in the public or private sector who is working to improve their part of the community in any of

these fields is a community developer. Note that the private sector includes private for-profit entities and private nonprofit organizations. A more practical definition of a community development professional would be anyone working in a government, nonprofit or other organization whose job definition involves improving certain aspects of a community for benefit of the community itself. For example, a person working for city government might have the title “community development specialist” and be responsible for improving one or more aspects of the community such as housing or health care availability. This indistinct boundary between full-time professionals whose job description includes community development and other professionals working in health care, education, and so on that have community development impacts underscores the close relationship between community development and these related disciplines. When professionals in all these fields are more aware of the community development impacts of their jobs, the overall community development effort is strengthened. For example, a city planner should certainly design a land-use plan with the safety and convenience of community residents in mind, but should also be aware of the potential impacts of the plan on economic development, housing affordability, or any number of overall community development issues. The economic development profession, on the other hand, is usually more distinct and readily defined. It is important to note that both disciplines have recognized professional certifications.

As discussed previously, economic development involves activities such as creating new jobs and increasing household or per capita incomes – eliciting structural change within the area’s economy. To accomplish this, economic developers may recruit new companies, work to retain and expand existing companies, facilitate new business start-ups, and engage in related activities.

Economic developers are employed by a variety of public and private organizations, usually with clearly defined economic development responsibilities.

In some communities, economic development activities are concentrated in the public sector (e.g., a city or county department of economic development) while in others they may be concentrated in the private sector (e.g., chamber of commerce). In most communities, economic development responsibilities are shared by the public and private sectors for more information on different models of economic development organization and service delivery). Finally, there are the community and economic development volunteers. These include residents participating in community and economic development activities such as public meetings, planning sessions or community initiatives as well as board members of community and economic development organizations. Success in community and economic development requires dedicated, well-trained professionals and volunteers alike working together effectively for the community’s benefit.

Conclusion

Some communities do not believe they can influence their own destiny and improve their situation. They have a fatalistic attitude and feel they are victims of circumstances beyond their control – a closed factory, a downsized military base, or a natural disaster. In reality, they can build a better future. For every community that fails to act, there is another that is pro-actively applying the tools of community and economic development to better itself. Successful communities realize that community development is a group effort involving all citizens, not just the mayor, chamber of commerce president, or economic development professional. Sometimes it takes an event, such as a local plant closing, to shock a community into action. On the other hand, many communities realize that change is inevitable and choose to be prepared by practicing good community and economic development. In today's dynamic global economy, maintaining the status quo is rarely an option – either a community moves itself forward or by default moves backward.