Economic Development Alliances

Fred Young Phillips
Alliant International University, USA
Maastricht School of Management, The Netherlands

INTRODUCTION AND HISTORICAL PERSPECTIVE

Metropolitan and rural regions around the world compete to attract enterprises (private companies, NGOs, parastatals, and government agencies) that offer well-paying jobs. Economic globalization and new technologies make necessary, and at the same time make possible, new strategies for economic development (ED). Increasingly, these new strategies involve intra-regional and inter-regional alliances.

Three forces create the context for these alliances:

1. Information and communication technologies (ICT) make all modern strategic alliances possible. ICT facilitates the continuous and intense exchange of information that sustains a relationship, rather than a simple series of transactions, between two parties.
2. ICTs have produced an unexpected social phenomenon: Users find themselves communicating with kinds of people and organizations that they have never interacted with previously.
3. The companies that produce ICT and other technologies—computers, software, microchips, biotechnology, telecommunications—are exactly those that offer a growing number of highly remunerative jobs to an educated workforce.

Consequently, regional authorities (and individuals in the regions who see the implications of the changing economic and technological environment) are building alliances with unlikely partners to attract jobs to their locales. These partners may be on the other side of the world, or may be in a different industry or in a different social stratum in the same town.

According to Shapira, Roessner, and Barke (1995), economic development via industrial innovation is "a complex problem, involving… issues of business relationships and practices, institutional linkages and inter-firm networks, and public-private cooperation." As is fitting for responses to a complex problem, ED alliances take many forms, defined by their initiating agencies, memberships, objectives, funding, and lines of authority or communication.

This article sets forth a taxonomy of these alliances, with examples of each type of initiative. The several kinds of public-private partnerships are categorized. A reference list enables readers to pursue more details about the various kinds of initiatives.

BACKGROUND

Economic Development

Blakely and Bradshaw (2002) define economic development as "a process in which local governments or community-based (neighborhood) organizations engage to stimulate or maintain business activity and/or employment."[1] The Georgia Economic Developers Association[2] defines ED as "a sustainable process of creating economic opportunity for all citizens, stimulating business investment, diversifying the public revenue base, and enhancing quality of life." According to Doctor et al. (2004), ED is the "growth and diversification of business activity that creates jobs, income and wealth, and creates investment that generates municipal revenue to fund facilities and services that maintain and enhance quality of life." ED *programs*, Doctor et al. continue, are "specific activities designed to increase jobs and help businesses start, expand, move into or remain in the area." See also Phillips, Vallejo and Mhondo (2005).

The Greater Austin (Texas) Chamber of Commerce has been very successful in the activities noted earlier. Yet its own definition of ED is restricted to the marketing of the Austin area, that is, attracting companies. Where other definitions would include hard infrastructure development, work force development, and creation of educational opportunities and a business-friendly environment as components of economic development, the Austin Chamber lists the latter activities separately from its ED programs.[3]

Many authorities agree (Phillips 2006) that the elements of successful economic development are:

- Physical infrastructure (including transportation);
- Recruitment of relocating businesses;
- Retention and growth of existing businesses;
- Incubation of new businesses and encouragement of entrepreneurship;
- Work force development; and
- Innovative organizations and partnerships that make the previously-mentioned activities work better in one city than in another city, and thus make one region more attractive than another for workers, executives, and firms.

Globalization vs. Localization/ Regionalization: Industry Clusters

Peter Drucker (1997) wrote that the three great trends of the next decades are globalization, regionalization, and localization. The innovative, globalized industries that provide job growth have factories and markets worldwide. Their ties to local regions are weaker than were those of traditional industries. However, these newer industries "multi-localize" by customizing their products for local markets, and by relying on the local availability of educated, skilled workers. The latter is the leverage that metropolitan areas retain over global corporations: Build a qualified workforce that (due to local quality of life) does not want to move away, and the companies will come.

Then the companies' suppliers and industrial customers will locate nearby, because knowledge industries depend on the transfer of skills and knowledge up and down the value chain. When enough buyers, sellers and knowledge workers cluster in one location, a *critical mass* is said to exist. This critical mass implies that more companies and workers will continue to in-migrate (even without further active ED efforts), and that the industry cluster is unlikely to be dislodged from the locality.

Malecki (1997, p. 174) notes the cluster phenomenon is composed of proximity effects (e.g., lower transportation costs) and socialization effects ("collective learning, cooperation, and socialization of risks"). Regional governments and non-governmental initiatives are taking on the task of encouraging cluster development on these dimensions.

Regionalization has to do with the growing importance of metropolitan regions as economic units (see Ohmae, 1996). Regions, sometimes smaller than states or provinces and sometimes bigger, and sometimes straddling state or national borders, are eclipsing city, state and national governments in their ability to create economic change. Economic development alliances are one of the vehicles by which they do this.

The "cluster" concept (Porter, 1998) focuses on one industry (and closely supporting supplier industries) at a time. Regional ED initiatives naturally wish to develop multiple industries for a balanced economy and for a healthy, wealthy populace. Cluster initiatives are therefore only one component of a total ED effort. All ED efforts, however, must recognize the cluster phenomenon.

Information and Communication

Technological and Social Change

Economic globalization and new technologies make necessary, and at the same time make possible, new strategies for economic development (ED). Increasingly, these new strategies involve intra-regional and inter-regional alliances.

Three forces create the context for these alliances:

1. Information and communication technologies (ICT) make all modern alliances possible; without ICT, cooperation between enterprises could be achieved only through the traditional mechanisms of vendor relationships, mergers, acquisitions or joint ventures.
2. Everett Rogers (see Phillips, 2006) told the story of tension between homeowners and the homeless in Santa Monica, California, and how it was ameliorated by an online discussion board and free Internet terminals in public spaces. In the same way, innovative alliances brought together Austin, Texas' multimedia and electronic arts communities with traditional software and electronics companies for the first time. Both instances illustrate how ICT leads to unexpected interaction among more kinds, and more different

Related Content