



Case Studies in Economic Diversification

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Prepared for the Appalachian Regional Commission



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ABOUT THIS REPORT

This report is one of four documents prepared as part of an extensive analysis of economic diversity for the Appalachian Regional Commission by the University of Illinois at Urbana-Champaign's Regional Economics Applications Laboratory and the Center for Regional Economic Competitiveness, with assistance from the RUPRI Center for Rural Entrepreneurship and EntreWorks Consulting. Project leaders were Edward Feser, Ken Poole, Mark White, and Geoffrey Hewings, with Troy Mix serving as Project Manager.

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In addition to this report, the documents include a summary report (*Economic Diversity in Appalachia: Statistics, Strategies, and Guides for Action*), a guide to the web tool (*A Practitioner's Guide for Planning and Analysis with the Appalachian Economic Diversity Web Tool*), and a technical report detailing methods, data, and additional findings (*A Statistical Portrait of Economic Diversity in Appalachia*). All reports associated with the project can be found here:

<http://economicdiversityinappalachia.creconline.org/Report/>.

INTRODUCTION: WHY STUDYING ECONOMIC DIVERSITY IS IMPORTANT TO APPALACHIA

Mines and mills have dominated the economies of many Appalachian communities for many years. The dependence on the employers in these industries mean that some areas are highly vulnerable to economic shocks resulting from boom and bust cycles. When those industries decline, communities relying on one or two companies are typically poorly positioned to chart a new economic future. Recognizing this challenge, Appalachian leaders frequently cite greater economic diversity as a fundamental development goal. These leaders hope to better position their communities to mitigate economic risks or seize emerging new growth opportunities. Much like individual investors seeking a diverse financial portfolio, a community must also seek to develop a broad base of employment and wealth generators to comprise its economic portfolio. Diversity-driven strategies are therefore one way that local leaders tend to build a more stable economy in anticipation of economic cycles as well as a strategy for responding to crises when they occur.

Demonstrating a clear connection between anticipated outcomes from economic diversification and specific strategies to promote economic diversity can prove particularly difficult. Some communities begin with a greater mix of industries than others. At the same time, some localities serve as regional trading centers while others do not. Some areas attract more in-migrants because they are near growing urbanizing areas.

Furthermore, economic luck (both good and bad) can also influence the economic mix and diversity of a local economy. For instance, the loss of a major employer often leaves a region's economy more diverse because the loss often eliminates an important company that represented an "economic specialty." This is especially true in a rural or small metro area where only a few companies drive the overall economy. In such cases, diversification can bring on wrenching changes and may not necessarily lead to more jobs. At the same time, diversification may result from intentional efforts designed to attract or develop alternative employment options for local residents or to help emerging industries grow. But for larger economies, these efforts alone may be inadequate to the task if they cannot leverage natural economic growth patterns that complement the diversification efforts.

In order to understand this issue in a more applied manner, we sought to identify the key features of strategies in diverse communities, or communities that have experienced increases in diversity and economic growth. In order to better understand these issues, the University of Illinois/CREC team analyzed ten case studies in ten Appalachian counties located in different parts of the region. This report summarizes the findings from this research by laying out the motivations for economic diversification and several ways in which communities might pursue diversification. That analysis includes the ensuing discussion, which provides a brief review of the process for selecting the case studies followed by a synopsis of the findings in each of the ten locations. Each case study offers a brief background about the county and its

economy, but the cases primarily lay out the elements of each county's economic diversification efforts. The report concludes with a review of common themes and trends discovered or validated from the case study research.

KEYS TO ESTABLISHING A MORE DIVERSE ECONOMY

The case study research revealed that no single strategy represents a “silver bullet” leading to a more diverse economy. Each of the case study communities face very different situations that offer unique opportunities. Not surprisingly, communities use a variety of approaches, often simultaneously, to transform their economies and create more opportunities. The five broad diversification strategies identified by the research team are summarized below.

Create collaborative regional planning and implementation systems focused on economic diversification

Structured regional planning processes can motivate and guide the development and implementation of economic diversification strategies. Relationships are important for advancing any kind of economic development goal, and building these relationships throughout the region is a process that requires the time and energy of local leaders. An environment that promotes regional collaboration and planning not only allows for intentional action and accountability, but can better position regions to take advantage of opportunities as they arise. Having these regional relationships established and in place allow places to react to federal or state funding opportunities as they arise.

Build local/regional economic ecosystems that support diversification

These strategies seek to create an ecosystem that is supportive of a wide array of different activities, as well as increasing the region's capacity to support business formation and growth. Common strategies include creating an ecosystem more supportive for entrepreneurs. These strategies involve promoting entrepreneurial opportunities, providing technical assistance for entrepreneurs, and creating infrastructure or space, such as business incubators (or specialized incubators like kitchen incubators for food companies). Investing in entrepreneurship increases the likelihood that new companies will emerge in the region to replace those that inevitably die as a natural part of the economic cycle. Similarly, many regions may seek to invest in infrastructure, whether it involves building interstate-quality roads, constructing modern facilities in which businesses can expand their output, or improving regional broadband capacity to meet the needs of small and medium-sized businesses.

Connect regional assets to external demand/markets

Successful economic development strategies seek to maximize available assets. Many places may not have significant assets from which to build, but they can leverage assets located in neighboring counties (e.g., colleges and universities, large employment centers, significant tourist attractions) to support local growth. A more regional approach to inventorying assets can allow communities to better access additional

resources, expertise, and market demand. Similarly, many places pursue strategies that seek to grow existing specializations and to attract new ones through cluster development strategies. This may occur by connecting local firms to larger supply chains or helping local firms seek out export markets. These efforts might also involve promoting tourist attractions in nearby metro areas as part of their local efforts to attract visitor, or connecting local food growers to large institutional buyers in the form of nearby hospitals or universities. The key to this approach is to recognize that assets located in other places may create economic value locally.

Enhance the skills and capacity of the area workforce

A wide array of workforce skills is necessary to support a diverse economy. As a result, regions need to broaden and upgrade the regional skill base or make efforts to attract workers with necessary skills to the area. Strategies for diversifying the regional skill base often involve making investments in education and training, creating greater communication between educational institutions and employers, and promoting area employment opportunities to talent that may not already live in the area.

Encourage reinvestment of wealth within the region

Capturing greater local wealth is an important element to a stable and sustainable economy. There are multiple strategies for encouraging reinvestment. At the most basic level, local business retention and expansion (BRE) activities undertaken by most economic development organizations are intended to help local firms grow and thrive where they are already located. Sound BRE principles often overlap with many of the strategies mentioned above (e.g., workforce training, infrastructure improvements), but the key element is the open communication between business and area stakeholders and service providers. Additionally, communities might work with local philanthropists and foundations to enlist funding support for local projects. Reinvestment strategies may also focus on connecting local demand for goods and services with local suppliers to increase the amount of money recycled within the community.

These approaches are not mutually exclusive and as the case studies demonstrate, many communities seek to increase their economic diversity by taking multiple approaches simultaneously. Many of these strategic approaches will feature prominently in the case studies profiled later.

IDENTIFYING CASE STUDY CANDIDATES

Determining which counties would represent useful cases for study involved a process that included several steps. The research team first assembled data about the economies of all U.S. counties to assess their relative economic diversity and growth patterns. The team then identified a preliminary group of candidate counties for study by analyzing three key data inputs:

- Measurements of county-level economic diversity allowed the research team to identify candidate counties that either had above-average diversity characteristics, or counties that exhibited an increase in economic diversity.

These counties reflected an initial list of locations where economic diversity may be leading to some kind of economic change. To measure county-level economic diversity, the research team used employment by four-digit NAICS industry group provided by Economic Modeling Specialists International (EMSI).¹ These data enabled the calculation of “entropy of employment” for the time period following the recession (2009 and 2012). One such indicator takes the shares of each type of activity in the local economy, multiplies them by the logarithms of their inverses, and sums up the values.² The mathematical details are less important than the result: the measure yields a higher value for places with a broader and more even mix of economic activities, and it registers as zero in the hypothetical case of a location with only a single type of economic activity. The value will be quite low for a community with just a few industries that account for most economic activity. Conversely, the value will be high for a community with more balanced employment across many industries. Measuring this diversity indicator for every county, the team calculated an index and then categorized the counties into percentile groups.

- Data from the Bureau of Economic Analysis’ *Regional Economic Accounts* were used to calculate and rank counties according to their change in employment and per capita income over the periods 2002-2009 and 2010-2011.³ Using these data, the research team conducted a shift-share analysis that estimated employment changes that could be attributed to broad national economic trends, unique industry trends, and regional economic competitiveness factors.⁴ The research team considered locations that experienced significant employment changes that could be attributed to regional conditions as potentially good candidates for understanding what local leaders could do to foster economic growth. These represented potentially good examples of how successful local economic development policy interventions might influence actual outcomes that resulted in greater economic diversity. These data were aligned with ARC’s index-based county economic classification system that uses three economic indicators—three-year average unemployment rate, per capita market income, and poverty rate. ARC uses these indicators to categorize all ARC counties as either “distressed,” “at-risk,” “transitional,” “competitive,” or “attainment.” That classification is updated annually. For the purposes of this study, ARC’s Fiscal Year 2013 designations are used to describe the studied counties.⁵

¹ “EMSI Data,” Economic Modeling Specialists International, <http://www.economicmodeling.com/data/>.

² This is called an entropy measure of diversity. A more detailed description of the methods and findings summarized in this section is provided in the companion technical report *Statistical Portrait of Economic Diversity in Appalachia*.

³ “Regional Economic Accounts,” Bureau of Economic Analysis, U.S. Department of Commerce, <http://www.bea.gov/regional/>

⁴ Blakely, E. J., & Leigh, N. G. (2009). *Planning local economic development: Theory and practice*. Sage Publications, Incorporated.

⁵ Appalachian Regional Commission, Distressed Designation and County Economic Status Classification System, FY 2007 – FY 2014, website, accessed August 2013. <http://www.arc.gov/research/SourceandMethodologyCountyEconomicStatusFY2007FY2014.asp>.

- The research team also considered data on industry dependence, location, and urban and rural characteristics in order to identify locations relevant to conditions in Appalachia’s rural, distressed counties. The researchers used a methodology developed by Andrew Isserman that classified counties as either: “Rural,” “Mixed Rural,” “Mixed Urban,” or “Urban,” based primarily on their population density characteristics according to U.S. Census 2010.⁶ In addition, reporting the USDA Economic Research Service’s county typology codes for 2004 provided insight into counties functional specializations and dependence on a particular type of economic activity (e.g., manufacturing, government).⁷ To reflect the unique strategies that may arise from the presence of higher education, the team also considered the distance from each county to the nearest research university.⁸ Finally, counties were also classified according to their location in the ARC region and particular in ARC sub-regions.

These data on diversity and economic change were assembled for all U.S. counties, but smaller lists of growing and diverse or diversifying rural counties were also generated to assist case selection. Combined, these data elements served as inputs in the research team’s process of compiling a list of preliminary candidate case study counties. Using these data and metrics, the project team identified 32 candidate counties that displayed evidence of measured diversification, and/or growth. These candidate counties were initially drawn from both the ARC region and beyond.

CRITERIA FOR SELECTING CASE STUDIES

As part of the effort to narrow the candidates, the team undertook initial research on the economic make up and the economic development policies being implemented in these counties. This revealed whether the county or its broader region had identified economic diversity as an issue or whether the county was undertaking or participating in initiatives to strengthen and diversify the county and/or region’s economic base. The subsequent selection criteria then took into consideration the following factors:

- Whether the county or its surrounding region had a current economic development strategy
- Whether the county leaders were engaged in some kind of meaningful economic development efforts, or
- Whether the county was participating in current regional initiatives, such as federal funding opportunities provided through the Rural Jobs and Innovation

⁶ Isserman, Andrew M. (2005). In the National Interest: Defining Rural and Urban Correctly in Research and Public Policy. *International Regional Science Review*, 28(4), 465-499.

⁷ “County Typology Codes,” Economic Research Service, U.S. Department of Agriculture, 2004, <http://www.ers.usda.gov/data-products/county-typology-codes.aspx>.

⁸ “The Carnegie Classification of Institutions of Higher Education,” Carnegie Foundation for the Advancement of Teaching, 2012, <http://classifications.carnegiefoundation.org/>.

Accelerator grants⁹ or HUD Sustainability grants (reflecting an assumption that the county is proactively engaged in collaborative activities in order to successfully win one of these Federal grants).¹⁰

Based on this preliminary research and consultation with ARC staff, the research team selected ten counties for case studies. It is important to note that these case studies are not necessarily examples of best practices; some case studies are of counties with very high levels of economic diversity and others have very low diversity. The ultimate goal was to select a set of case studies that spoke to a wide range of diversity-related issues.

The project team conducted the case study research through a series of site visits and phone interviews in April and May of 2013. During the course of these case studies, the project team spoke with a wide array of stakeholders including local economic development and planning organizations, educational institutions, community groups, county and local government, and representatives from the business community. The stakeholders interviewed were asked about their economic development activities, and the role that economic diversity plays in motivating those activities. The case study findings are described in the next section.

CASE STUDY FINDINGS

The ten cases studies selected for this analysis represent a number of aspects related to the issue of economic diversity. As noted above, these counties include some that have diverse economies, some that have much more specialized economies, and some that have experienced relatively significant changes in diversity over time. The cases also include examples of both urban and rural counties throughout the ARC region. Additionally, the cases include counties with a wide mix of functional specializations, driven by manufacturing, education, or extractive industries as well as a few counties with no discernible dominant industry. The counties profiled include:

- Tioga County, NY
- Lycoming County, PA
- Garrett County, MD
- Upshur County, WV
- Knott County, KY
- Washington County, VA
- Rutherford County, NC
- Pickens County, SC
- Lauderdale County, AL
- Oktibbeha County, MS

⁹ <http://www.rurdev.usda.gov/RuralJobsAcceleratorAbout.html>

¹⁰ http://portal.hud.gov/hudportal/HUD?src=/program_offices/sustainable_housing_communities/sustainable_communities_regional_planning_grants

For each of these case studies, the analysis begins with a background discussion about the county and its economy. The case studies, however, focus primarily upon how each community thinks about the issue of diversity and the actions taken to achieve greater economic diversification. The cases also highlight any key issues or lessons learned from each county's individual experience.

TIOGA COUNTY, NY

Tioga County is a “rural” county (as defined by the Isserman 2005 typology) located in New York State's southern tier region. Its largest community is Owego, NY, but given that it is situated between Binghamton, Ithaca, and Elmira, it primarily serves as a bedroom community to those relatively larger metro areas. In fact, according to the U.S. Census Bureau, almost 75 percent of workers living in Tioga County work outside of the county, with most commuting to Broome County (Binghamton) to the east. The county has a long history of relying heavily on single, large employers. In the past it was Endicott Johnson, then IBM, and now Lockheed Martin.

Tioga County experienced a large increase in employment diversity between 2009 and 2012. Tioga County moved from having below average economic diversity (30th percentile of counties nationally) to near average diversity (46th percentile). In most instances, large increases in diversity during this particular economic period resulted from major recession-inspired economic shocks—such as the loss of one major employer or significant downsizing in one dominant industry.¹¹ This has been the case in Tioga County, where Lockheed Martin recently employed as many as 4,000 employees, but lost nearly 1,600 jobs due to the company's loss of the Marine One Presidential Helicopter contract. These job losses highlighted the extent to which the county relies upon this one employer, and in a sense, shows how the county faces a crisis of diversity.

Tioga County's 2010 Economic Development Plan¹² (approved in 2005) listed the erosion of the county's economic base as a critical challenge. The plan also identified greater diversity as an economic goal and sought to target other activities such as tourism, wood products, agriculture, electronics, and metal fabrication for development. Recently, Tioga County received some modest state funding through the 2012 New York State Regional Economic Development Councils awards to renovating buildings in the Town of Nichols and to support two multi-county initiatives aimed at developing tourism and food processing.

¹¹ To illustrate this point, consider that the U.S. county with the greatest percentile change in diversity between 2009 and 2012 was Clinton County, OH where DHL closed a major distribution hub that had employed 7,000 people (representing about 30 percent of that county's total employment). Within the Appalachian Region, other large increases in diversity were found in places like Whitfield County, GA—home to Dalton, GA and a declining carpet manufacturing industry.

¹²

<http://www.tiogacountyny.com/images/stories/PDFs/departments/edp/tioga2010planF.pdf>

ECONOMIC DEVELOPMENT AND DIVERSIFICATION STRATEGIES

Tioga County's diversification and economic development efforts rely on practitioners operating in a collaborative manner. Given its small size, the county lacks the resources to pursue extensive business recruitment and attraction. Moreover, these activities would not necessarily be appropriate given its rural character. Instead, county economic development stakeholders focus on strengthening relationships both locally and regionally. Locally, area stakeholders make continuous efforts to build cohesion amongst local service providers. The goal is to provide a 'no wrong door' approach to providing business assistance to Tioga County companies. Members of this stakeholder network know their respective roles and responsibilities and can refer companies to the office that can best meet their needs. Therefore, if a business has a land-use question, they know to contact the County Department of Economic Development and Planning, and if they have a question about certain types of industrial loan programs they can be directed to the Tioga County Industrial Development Agency. Building these connections has also helped to support entrepreneurial efforts. For instance, potential entrepreneurs can receive mentoring from SCORE (Service Corps of Retired Executives) representatives. Similarly, further technical assistance is available by directing entrepreneurs to the Small Business Development Center at nearby Binghamton University in Broome County. The ultimate goal is to avoid having a fractured system.

Further efforts are being made to build regional relationships as well, especially with Broome County (Binghamton) to the east, and Chemung County (Elmira) to the west. These efforts have largely centered on information sharing. This often plays out when dealing with businesses that are looking to relocate across county lines. By having these open lines of communication, these counties can avoid wasteful beggar-thy-neighbor activities by not providing incentives to companies that are staying in the region, but just changing their address. These relationships have been strengthened in part due to stakeholder participation in the Southern Tier Regional Economic Development Council (one of ten councils tasked with developing long-term regional economic growth strategies).

Tioga County has further applied a regional lens, by looking at opportunities available in neighboring Pennsylvania. New York State currently bans the drilling for natural gas, but Tioga County is home to about a dozen support companies that are involved in Marcellus Shale drilling in Pennsylvania. For instance, one company takes advantage of a rail line that brings sand and gravel needed to make the drilling platforms. The sand and gravel are offloaded in Tioga County and then shipped just across the border to Pennsylvania. Drilling the Marcellus Shale would offer a new source of economic activity for the county, but decisions about drilling will be made in Albany and are therefore out of the county's direct control.

While many of the activities described above are designed to increase the number of firms and the types of industrial activity in the county, Tioga County is also engaged in other efforts to diversify its sources of wealth. For instance, it has embraced its role as a bedroom community and has invested in making itself an appealing place for commuters to live. For instance, investments have been made in developing Owego's

downtown. As a result, the downtown has numerous shops and businesses, many of which have recovered from the flooding damage brought by Hurricane Irene in 2011. Focusing on making Tioga County attractive to commuters has several benefits. For instance, these workers pay taxes and spend a good portion of their money in Tioga County even though they do not work in the county. It also helps to counter balance the 'Brain Drain' affecting Tioga County and many other Upstate New York communities. In some instances, these residents have brought companies with them. For example, one life sciences company in Owego came out of a Cornell University spinoff. The founder of the company previously worked at Cornell University in Ithaca, but lived in Tioga County.

In spite of these efforts to establish new sources of wealth creation, Tioga County still faces many challenges in diversifying its economy. Most notably, those activities most likely to change the trajectory of local growth or to add significant new employment and wealth will result from decisions that are well beyond local control. For instance, the fate of Lockheed Martin's facility lies in Congress and with Lockheed Martin's corporate leadership. Similarly, opportunities to leverage Marcellus Shale opportunities or add a casino to the Tioga Downs racetrack will be decisions that will be made at the state level in Albany.

At the same time, more locally-based diversification efforts tend to be far more incremental in nature. Ten or twenty new entrepreneurs per year, for instance, cannot outweigh the loss of 1,600 good paying manufacturing jobs at Lockheed Martin. This conundrum is a real issue facing many places like Tioga County that rely heavily on one large employer or industry. Those economic pillars cannot be easily replaced.

KEY FINDINGS AND OTHER OBSERVATIONS

- When control and decision-making about key assets lies external to the region, local communities can experience difficulty in shaping their own economic future.
 - E.g., Future of Lockheed Martin in an age of declining Federal budgets, decisions about natural gas drilling in New York State, etc.
- When budgets are limited, communities must pursue activities appropriate to their situation (size, scale, region, etc.).
 - E.g., small communities with few assets and limited budgets should limit risky and expensive industrial recruitment efforts
 - Emphasis should instead be placed on the efficient delivery of existing services
- Regional perspectives create broader opportunities.
 - Greater access to markets and employment opportunities
 - Greater access to specialized services and expertise (available through Cornell or Binghamton University)

- Diversifying the area's industrial base helps, but so too does diversifying its sources of income.
 - Benefits can be derived from being an attractive bedroom community

LYCOMING COUNTY, PA

Lycoming County is home to 117,000 residents, with Williamsport being its largest community. Its economic base has traditionally focused around activities such as lumber production and manufacturing. More recently, Lycoming County and Williamsport, PA have become one of the epicenters of the natural gas industry and Marcellus Shale development, contributing to the county's recent economic growth. Between 2009 and 2012, county employment grew 2.0 percent annually, well above the national rate of 1.0 percent during the same period. Lycoming County is also one of the most diverse economies in the ARC region; in 2012, it was more diverse than 97 percent of U.S. counties.

The direct and indirect jobs and investment that have emerged from the recent Marcellus Shale development have helped to grow Lycoming County's economy, but area stakeholders do not want these activities to overwhelm their economy. As a result, the need to maintain a diversified economic base is a clearly articulated goal within the community. As stated within the Williamsport/Lycoming Chamber of Commerce 2013 Action Plan:

"It is no secret that the Natural Gas Industry has played a critical role in the area's economy and, despite a slowdown caused mostly by low prices, it will be a dominant force in our region for decades to come. However, the Chamber understands the critical balance that must be maintained to have a diversified and healthy economy and during 2012 we worked to maintain a strong local business community across all sectors of our economy including our traditional ones as well as the natural gas industry. We will continue to work hard to maintain our area's economic diversity and improve upon it. A sluggish national and world economy continues to be a danger to our prosperity and the more diverse we become, the better the chance we have of surviving a recession or a continuation of a very slow recovery."¹³

This diversity-driven thinking has helped to inform Lycoming County's economic development activities. As a result, its economic development strategies have generally focused around ensuring that Lycoming County's workforce and infrastructure can effectively support a wide array of economic activities.

¹³ <http://www.williamsport.org/pdf/PlanofAction.pdf>

ECONOMIC DEVELOPMENT AND DIVERSIFICATION STRATEGIES

The Marcellus Shale development in Lycoming resulted in significant employment gains. Direct jobs in natural gas have grown from 140 in 2009 to over 1,800 in 2012.¹⁴ The benefits of adding a new component to the economic base are evident. Not only has the county added jobs in industries that directly support natural gas such as trucking, but this economic activity has also led to growth in other industries such as retail and accommodations. Moreover, it has led to investments in infrastructure, such as paving gravel roads, which can help drive additional economic development activity. Greater natural gas activity has, to a certain extent, contributed to a more diverse economy.

Lycoming County's diversification has centered on efforts to ensure that wealth creation is reinvested in the community. Before the natural gas boom occurred in 2008-2009, leaders made investments to position the county for new economic activity. As part of an economic development strategy process in the early 2000s, the county identified a lack of competitive industrial sites and buildings as a key challenge for the area's economic development. Given the county's terrain, there are limited numbers of sites that are both flat and outside of flood zones. As a result, investments were made to develop six sites throughout the county. Originally, it was hoped that the county would attract food manufacturers. These operations failed to materialize at the scale hoped, but as efforts to develop the Marcellus Shale natural gas reserves began in earnest, Lycoming County had ready sites available to the natural gas companies and their related support companies. Consequently, these early investments allowed the county to be well positioned to quickly take advantage of emerging opportunities.

As the developments around the Bakken Shale gas fields in North Dakota have shown, natural gas development can transform economies and regions in very powerful (but not always positive) ways. While the changes resulting from natural gas activities in Pennsylvania are not nearly as dramatic as those in North Dakota, area stakeholders wanted to ensure that they were adequately prepared for the natural gas boom. Once it became clear that these activities were going to significantly accelerate the regional economy, this planning began in earnest. As part of this preparation, approximately 10 area stakeholders went to Fort Worth, TX to see how that community had been affected by the rapid development of natural gas. They sought to understand not only how the gas boom would affect economic development, but also the area's schools, public services, health care providers, and infrastructure. In short, they wanted to learn from the Fort Worth experience to minimize the number of unintended consequences that can arise from rapid development.

The natural gas boom helped Lycoming County grow, even during the recession. Yet as noted above, county leaders continue to emphasize the importance of keeping a diversified economy.¹⁵ Local leaders have clearly articulated that they want Williamsport to be much more than just a "gas town." For the Williamsport/Lycoming

¹⁴ Data provided by Economic Modeling Specialist International (www.economicmodeling.com)

¹⁵ <http://www.williamsport.org/pdf/PlanofAction.pdf> (Page 3)

Chamber of Commerce, the main strategy for maintaining and improving diversity is through its Business Retention and Expansion (BRE) efforts. As a result, the Chamber invests time into meeting with area companies to ensure that their needs are being met. Even though natural gas has been important, it has the potential to crowd out investment in new industries or distract from the needs of existing industries. These activities help ensure that there are efforts in place to maintain the diversity within the area's economic base. Moreover, county leaders would prefer that gas companies do not take up all of Lycoming County's available industrial space.

Broadening the industrial base is not the only form of diversification motivated by the natural gas boom. The county has also made efforts to diversify the skills within the area's workforce. Pennsylvania College of Technology (Penn College) has gone a long way in preparing the area's workforce for the gas boom, but they have done this with diversity in mind. Since 2009, Penn College has trained approximately 10,000 people for natural gas related activities. This training, delivered primarily through Penn College's Shale Technology and Education Center (ShaleTEC), ranges anywhere from one-day, non-degree programs to 2-year degree programs. When the natural gas boom first hit in 2008-2009, approximately 25 percent of people in these training programs were from outside of Pennsylvania but now most are Pennsylvanians.

When Penn College sought to invest in new degree programs, they intentionally avoided having a degree specifically and narrowly dedicated to natural gas. Instead they sought to develop programs that were relevant to the natural gas industry, but also had broader applicability to the workforce needs of other industries. As a result, they put resources into developing new programs in mechatronics (which also supports area manufacturers) and emergency management (which also supports public services and utilities). Several factors figured into these investments, and diversity was one aspect of these decisions.

Prior to making these investments, Penn College had conducted a workforce analysis to identify the jobs, skills and competencies that were demanded by the natural gas industry, but also tried to identify those skills and competencies that were transferable to other industries. This was designed not only to meet the most demand, but also to guard against any changes in the natural gas industry. The industry itself tends to be relatively mobile, and Penn College did not want to invest in programs that only served that one industry. In addition to not having degree programs for one industry, Penn College also avoided competing directly with Penn State University's existing Petroleum and Natural Gas Engineering program. Instead, the college would seek to leverage these programs which are only a little over an hour away.

The Lycoming County case highlights several important issues. First, it illustrates the importance of planning and research. Through a planning process, the county identified a key challenge (a lack of adequate industrial sites). By addressing that challenge directly, the county eventually was prepared to meet the needs of a quickly emerging industry. Research also played an important role in preparing the county for the rapid growth that accompanied the natural gas industry. By understanding the consequences of this growth, the county was able to manage it in an intentional and planned manner.

CASE STUDIES IN ECONOMIC DIVERSIFICATION

Similarly, research allowed Penn College to strategically invest in new programs that not only met the needs of the emerging gas industry, but the needs of other industries as well. Second, the Lycoming County case highlights the importance of focusing economic and workforce development efforts on the entirety of the economic base, rather than just emerging growth opportunities.

KEY FINDINGS AND OTHER OBSERVATIONS

- The planning process that occurred in the early 2000s identified critical challenges to be addressed (e.g., the lack of adequate industrial sites).
 - Investments in infrastructure allowed the county to take advantage of emerging opportunities

- Research can effectively guide strategy efforts.
 - To prepare for natural gas developments, a delegation of 10 Lycoming County stakeholders went to Fort Worth to see the impact of natural gas development
 - Examine the impact on public services, infrastructure, economic development, etc.
 - Penn College took data-driven approach so they knew what programming to offer
 - Workforce assessment of growth jobs and needed skill competencies

- In meeting industry workforce needs, it is important to consider skills utilized by multiple industries so as to avoid instilling the area workforce with too narrow a set of skills.

- Dominant industries have the potential to crowd out other industries or distract from the needs of existing industries.
 - Community consensus helps to maintain the focus of economic development efforts on the whole economic base, not just growth opportunities presented by mobile industry.

GARRETT COUNTY, MD

Garrett County is Maryland's westernmost county and known for being home to Deep Creek Lake, a prominent resort area in the Mid-Atlantic. It is located between Morgantown, WV (home of West Virginia University) to the west and Cumberland, MD to the east. Garrett County represents a strong example of a community successfully responding to a diversity crisis. In 1996, Bausch and Lomb closed its glasses factory in Oakland (the county's largest community) and relocated 600 jobs to San Antonio, TX. This economic shock served as the impetus for an ongoing strategic planning process. As a result of the sustained response to that event and a strong local belief in local opportunities, the county created a stronger, more diverse economy. Ongoing planning (and implementation of that plan) has played a key role in laying the foundation for the current economy.

Garrett County is among the top 25 percent most diverse counties in the ARC region, and experienced above average employment and income growth between 2002 and 2009. Overall, county employment has remained relatively stable over the past three years, and it has had modest employment gains in areas such as manufacturing and recreation. Although, many county residents commute to Cumberland, MD and Alleghany County to the east, Garrett County's economy remains relatively self-contained. According to the U.S. Census Bureau, nearly two-thirds of people that work in the county also live in the county.

Garrett County's current Economic Development Plan (which was completed in 2011 and was being updated in 2013) is a broad-based and detailed plan that has wide community support. The plan was completed with significant input from five key county organizations including the Garrett County Economic Development Department, the Garrett County Development Corporation, the Garrett County Chamber of Commerce, Garrett County Community Action Committee, and Garrett College. One element of the strategy's vision is to make Garrett County a place with "vibrant, growing, profitable and diverse businesses." In order to realize this vision, the strategy calls for several actions including leadership development, entrepreneurial and small business support, local purchasing initiatives, and promoting more sustainable business practices. As a result, Garrett County's approach to economic development is not reactive or done in an ad hoc fashion, but rather involves a reasonable amount of intentionality.

ECONOMIC DEVELOPMENT AND DIVERSIFICATION STRATEGIES

In 1996, Bausch and Lomb's 600 jobs accounted for about half of the county's manufacturing base. The loss of this important facility devastated the community as those economic base jobs supported many other indirect jobs. Not only had the community lost a significant portion of its economic base, but many of the displaced workers lacked transferable skills. There was also a sense at the time that the local higher educational institution, Garrett College, did not possess the capacity to respond effectively to the situation. The crisis atmosphere created by significant job losses nevertheless spurred community action.

In the wake of this crisis, 25 area leaders met for several days in the Wisp Resort hotel to craft a response. This response was an honest assessment of the county's existing strengths, weaknesses, opportunities and threats (SWOT), and that discussion led to a short and concise strategic plan. The general thrust of this plan was to place greater focus on economic development by leveraging existing assets and investing in economic development infrastructure with the intended goals of growing and diversifying the Garrett County economy.

Since then the county has been effective in growing and diversifying its economy. Tourism and second-home demand have been an important component of that growth. These activities began to emerge following the completion of Interstate 68 (I-68) in 1991, but economic growth really took hold during the 2000s. This was in part fuelled by the growth of the Washington, DC metropolitan area, which generated greater demand for second homes and tourism. The area experienced a bit of a property

bubble leading up to the recession, but Garrett County was able to weather the recession due to a broad set of activities ranging from agriculture, wind energy and a more diversified (albeit smaller) manufacturing base.

This ongoing planning process played an important role in Garrett County's continued economic development. In constructing the county's economic development plan, listening sessions were held to gather community input from several different industry sectors including: manufacturing, retail, real estate, tourism, and agriculture and natural resources among others. These listening sessions allowed county stakeholders to discuss these industries strengths, weaknesses, and current and future trends so that they could inform the resulting plan's strategies and vision. By considering the influences on these different industry sectors, the plan therefore seeks to incorporate strategies that are capable of supporting a diverse range of economic activities. In addition to strengthening its capacity to support its existing and emerging economic base, Garrett County also emphasizes business retention and expansion efforts for existing businesses. These efforts involve continuous communication with area companies about their needs.

The diversification efforts that have emerged from this ongoing planning process have addressed many different issues, beyond just supporting multiple economic sectors. For instance, the community has devoted significant efforts toward improving the environment for entrepreneurs, and has done so in part by expanding and improving the broadband infrastructure. Working in partnership with the One Maryland Broadband Network (and with Appalachian Regional Commission financial support), the county is expanding its fiber optic network. These investments in its broadband infrastructure are vital. Many of the county's entrepreneurs begin as second-home buyers who split their time between Garrett County and the DC or Pittsburgh areas. Natural amenities like Deep Creek Lake entice potential entrepreneurs to vacation or buy second homes in the area, but a strong broadband infrastructure allows those kinds of entrepreneurs to work from or even move to Garrett County permanently.

In addition to expanding and strengthening the broadband infrastructure, there are other county assets available to support entrepreneurs. For instance, the Garrett County Information Enterprise Center is a technology-based business incubator located at Garrett College. More regional efforts and assets expand the range of support available to Garrett County entrepreneurs such as improving the availability of investment capital in the area. For instance, Garrett County participates in the Mountain Maryland Angel Investors Group, which is a regional effort that pools angel investment funds in Garrett, Allegheny and Washington counties. Additional entrepreneurial support services are available through the Small Business Development Center based at Frostburg State University in Cumberland, MD in neighboring Allegheny County.

With committed leadership from a number of stakeholders, including the President of Garrett College, the county has embarked on several workforce development initiatives. One of these initiatives has been the Garrett Promise whereby Garrett County high school graduates and GED recipients are eligible for a scholarship that ensures full

tuition payment in the year of their graduation. These scholarships are intended to not only provide additional education and training, but also to entice students to stay in Garrett County. Other workforce development efforts include the establishment of career pathways programs that will train area students and workers for jobs that local businesses are looking to fill. In doing so, the county hopes to establish a pipeline of talent that can support the area's long-term workforce needs. The county also continues to invest in its training infrastructure as well. For instance, Garrett College's new Career Technology Training Center provides the equipment and facilities necessary to support many of the County's workforce preparation and training needs. As a result, many of the courses that will be taught there will lead to industry certifications in areas such as manufacturing, the construction trades, and healthcare. The space will also be utilized by individual companies for customized training.

It is important to note that designing strategies to achieve growth and diversification means little if they are not effectively implemented. Garrett County exemplifies the benefits of an ongoing planning process tied to ongoing implementation. Furthermore, identifying and agreeing on metrics allows local leaders to measure the outcomes from these efforts, providing accountability for implementation partners. Community efforts to monitor outcomes closely ensures that progress is actually being made and to demonstrate that progress. By revisiting the county's strategy every few years, local leaders also ensure that the strategies continue to meet community needs and are responsive to changing economic conditions.

The process itself also creates cohesion among stakeholders, builds consensus and brings in new leaders which help to continually reenergize the process. This cohesion further allows the county to respond quickly to funding opportunities either at the state or federal level. Rather than spending time building coalitions, local partners can instead be prepared with pre-established coalitions and partnerships ready to respond quickly to funding opportunities. This kind of organization and process has allowed Garrett County organizations to effectively implement the county's economic development strategies and will serve the county well as leaders encounter future challenges, including developing the county's wind industry, making future land use and zoning decisions, and determining how best to leverage the potential from future natural gas development.

KEY FINDINGS AND OTHER OBSERVATIONS

- A crisis is a terrible thing to waste.
 - In 1996, the loss of 600 manufacturing jobs from Bausch and Lomb—half the county's manufacturing base—mobilized community action

- Garrett County's ongoing planning process yields many benefits for the community.
 - Builds consensus about regional vision and a framework for action
 - Sets clear goals and provides accountability
 - Incorporates new leaders

- Attracting and retaining talent an important element in building wealth.
 - Effective marketing of amenities
 - Connectivity (Broadband/I-68) allow people in growth centers to stay for more than a vacation
 - Creating opportunity for youth to stay in the community
- Thinking regionally opens up greater possibility for local opportunity
 - Connecting into growth centers (e.g., Washington, DC, Pittsburgh)
 - Creating scale through regional angel investor networks

UPSHUR COUNTY, WV

Upshur County is a small, rural county located in the foothills of the Alleghany Mountains. Its population is just over 24,000 people, with Buckhannon, WV representing its largest community. There are roughly 11,300 jobs in Upshur County, and its employment grew at an annual rate of 1.1 percent between 2009 and 2012—an annual rate faster than either the U.S. (1.0 percent) or West Virginia (0.7 percent). Its economy is also relatively diverse, as its employment diversity ranked within the 63rd percentile in 2012.

Natural resources have been an important economic driver for Upshur County as it possesses a wide array of resources ranging from lumber to coal and natural gas deposits. Like much of West Virginia, coal has long been important to Upshur County, but that has been in decline. The county has also been a site for natural gas development associated with Marcellus Shale, but as the focus of the natural gas industry has shifted to Pennsylvania, that too has slowed. Manufacturing is another economic driver and the county does support a number of specialty manufacturing businesses that sell outside the region and the state. As the county seeks to diversify its economic drivers, its economic development efforts now focus on three other sectors—agriculture, hardwood products, and tourism. These sectors are regional in nature and have the potential to support a more diverse county and regional economy.

Given their history of resource extraction – coal, timber and more recently natural gas—diversification has always been a regional goal. Upshur County’s economic development activities are often regional in nature, and this regional mindset forms the foundation for many of its diversification and development efforts. Upshur County is part of the Region VII Planning and Development Council¹⁶ and has a strong history and success with regional collaboration. The county is located along Corridor H, an East-West route in which WV 55 and U.S. 33 are being upgraded into an interstate quality road. Once this major transportation corridor is completed, the region will only be a three-hour drive from the Washington, D.C. metro area. This, in turn, will open up a wide range of development opportunities. The county’s economic development focus has been primarily on business retention and growth, rather than recruitment.

¹⁶ The Region VII Planning and Development Council also includes Barbour, Braxton, Gilmer, Lewis, Randolph and Tucker counties.

However, the county is also looking to establish itself as a place for other activities related to agriculture, tourism and value-added timber production, and in the process provides a number of important lessons learned for other small, natural resource-based communities that are seeking alternatives to the resource-extraction activities of the past.

ECONOMIC DEVELOPMENT AND DIVERSIFICATION STRATEGIES

Agriculture has always been an important sector and there is a strong focus now on local foods. As part of the efforts to support agriculture, the county is currently participating in a regional Rural Jobs Accelerator grant that focuses on promoting and growing local foods. This grant provides support for creating food value chains in the state, and can strengthen existing efforts. For instance, one current local effort—led by a local agripreneur—helps local organic growers produce for homes and restaurants and creates a community kitchen for food processing. It also further supports the farmers’ market in Buckhannon (population: 5,639)—the only incorporated community in the county.

The forest products sector is another area of historic significance in the county. For much of its history, Upshur County saw its timber resources harvested and then shipped out of the county in raw form. A more recent effort seeks to capture more of the value-added activities associated with timber production and the county has participated in a recent regional effort—the Hardwood Alliance Zone. This regional collaboration focuses on marketing and investing in the infrastructure needed to attract value-added hardwood companies to the region. The region has abundant natural hardwood resources, as well as the local sawmills and other services needed to grow value-added production in the region. This regional effort grew out of recognition that together the counties would have greater opportunities to build and support this sector than they would if they were working independently of one another.

The county is also taking a regional approach to promoting and growing its tourism sector. The state of West Virginia has placed significant emphasis on tourism development, and the region is trying to tap into the tourism resources made available by the state. Three counties—Randolph, Lewis, and Upshur—recognized that alone they do not provide enough of a destination to attract tourists to the region. As a result, they are building a regional strategy that links individual attractions along U.S. 33. In doing so, they plan to turn the whole region into a tourist destination by promoting “33 Things To Do Along Route 33.”

The economic development focus on agriculture, tourism and forest products, and the regional approach being utilized, is unlikely to change in the years ahead. However, the success of these efforts will depend greatly on the completion of the major interstate (Corridor H) between the Washington, D.C. metro area and this region. Corridor H provides a prime example of the power of regional collaboration. No single county in this region has the political clout to advocate for this transportation lifeline, but by working together they demonstrate the benefits of completing the corridor as a way to boost the entire state’s economy. While the new transportation corridor has economic

development benefits to the individual counties and their businesses, it provides clear evidence that regional collaboration can achieve meaningful outcomes. This collaboration established a precedent that is now being used to promote the three counties' regional tourism efforts.

This spirit of collaboration is also occurring within Upshur County itself. Significant private sector leadership, particularly in Buckhannon, has helped to advance many of these development efforts. Local leaders participated in CreateWV, a conference designed to encourage local leaders to create a new economic future for their communities. While city leaders did not formally adopt the plan that grew out of this process, the conference nevertheless empowered local business and community leaders to start CreateBuckhannon—a locally driven effort whose goals are to improve the quality of life and upgrade the town's amenities. CreateBuckhannon has no formal organizational structure, but leaders meet at a regular weekly luncheon open to all. Through this venue, the community secured a USDA grant to build the farmers' market, won a grant to create a downtown park, created new raised beds at the senior center, restored a civil war era home, and built bike and walking trails throughout town. Through these successes, CreateBuckhannon instilled a strong spirit of private sector leadership in the community and the county. The work of this informal group has brought energy to community residents and created a positive image for those outside the community.

Upshur County is also home to West Virginia Wesleyan University, which is a small liberal arts institution located in Buckhannon. Although playing only an informal role in CreateBuckhannon activities, the university has been important in providing community leadership in other ways. The university president has embraced her leadership position in the community, serving formally on economic development committees and boards. As a result, the community has been able to more effectively leverage the university in support of its workforce and community development efforts.

KEY FINDINGS AND OTHER OBSERVATIONS

- Regional partnerships are the key to increasing the county's economic development capacity, as none of Upshur County's major economic initiatives—the Hardwood Alliance, completing Corridor H, and the multi-county tourism marketing effort—would have been possible working on its own.
- Local volunteers and civic leaders can be powerful drivers of change
 - Committed community leaders working collaboratively with elected officials can increase the capacity of the community to address both the challenges and opportunities associated with economic development.
- Adding value to natural assets in a sustainable way is an important goal for resource-driven economies seeking greater diversity.

- Development focused on value-added opportunities, whether in agriculture or forest products, ensures that the impact of development is greater in the county and more sustainable.
- Combining these value-added efforts with regional tourism strategies that leverage these natural assets can further contribute to greater diversification.

KNOTT COUNTY, KY

Located in the eastern Kentucky coalfields, the Appalachian Regional Commission designated Knott County as distressed in fiscal year 2013. A rural county with a long-trend of out-migration and population decline, it is currently home to 16,124 residents. Knott County has lost almost 9 percent of its population since 2000 when over 17,600 people lived in the county. The county has roughly 4,600 jobs, but its economy is losing jobs. Mining is the county's single largest employing sector and employment in this sector has declined from almost 1,500 jobs to just under 900 jobs between 2009 and 2012. The mining job losses contribute greatly to an unemployment rate that, at 15.9 percent,¹⁷ remains almost twice the state and U.S. rate. This dependence on mining contributes greatly to a lack of diversity within the Knott County economy; in 2012, Knott County only ranked in the 17th percentile for employment diversity.

Lack of economic diversity is recognized as a concern among regional leaders. Knott County is situated within the broader Kentucky River Area Development District (KRADD), an eight county region in eastern Kentucky.¹⁸ The KRADD comprehensive economic development strategy makes explicit mention of the importance of economic diversification:

“Diversification of the economy must be a priority of the area. Efforts must be made to provide employment opportunities for the dislocated worker, with proper training made available to give these individuals the new skills they will need in a diversified economy. Education of the workforce, with adult literacy programs and other education or training programs must be a priority.

Efforts to diversify in the region include focusing on the areas of telecommunications, the wood industry, development of small businesses from within the Kentucky River ADD, tourism, and the recruitment of industry into the area.”¹⁹

¹⁷ U.S. Bureau of Labor Statistics Local Area Unemployment Statistics, June 2013.

¹⁸ In addition to Knott County, KRADD also serves Breathitt, Lee, Leslie, Letcher, Owsley, Perry, and Wolfe counties.

¹⁹ KRADD Comprehensive Economic Development Strategy Update FY 2012-2013, p. 7. Available at:

<http://kradd.org/CommunityAndED/2012%202013%20KRADD%20CEDS%20REWRITE.pdf> (PDF: 23 MB)

CASE STUDIES IN ECONOMIC DIVERSIFICATION

Within Knott County, diversification efforts are based around using the county's assets to promote activities like tourism. Although Knott County's people and economy have long been defined by coal mining, diversification efforts are based around using the county's assets to promote activities like tourism. The county seat, Hindman, is home to the Hindman Settlement School which was established in 1902 as the first rural settlement school designed to provide education and social services to "people of the mountains" while also preserving Appalachian cultural heritage. This mix of the coal industry and Appalachian cultural heritage forms the foundation of more recent efforts to diversify the county's economy.

ECONOMIC DEVELOPMENT AND DIVERSIFICATION STRATEGIES

Interest in diversification is driven by the significant loss of coal industry jobs and income over the past decade. In Knott County, this diversification strategy has roots in an earlier effort as part of Kentucky's Community Development Initiative (CDI) in the late 1990s. In 1997, Knott County residents and leaders developed a sustainable economic development plan that was funded by the state as part of the CDI. The state allocated \$18 million to help Knott County achieve its vision of a sustainable local economy driven by the county's heritage of arts and Appalachian crafts.

A key piece of this strategy was the creation of the Kentucky School of Craft, located in the renovated Hindman High School building and operated as part of Hazard Community and Technical College (HCTC). The idea behind the school was to offer residential opportunities for people to train to become master craftsmen in Appalachian crafts (e.g., dulcimer making, pottery). The strategy also included the establishment of the Kentucky Appalachian Artisan Center and incubator on Hindman's Main Street as a potential retail outlet for the work of these artisans. With CDI support, the school was launched but for a number of reasons—including staff turnover, lack of housing opportunities for students, and limited demand for long-term residential programs—it was not successful in creating new sources of economic opportunity. Although it did not achieve everything it set out to accomplish, this CDI process did help to attract significant investment in Knott County infrastructure, including a new Opportunity Center in Hindman that houses the library, a Head Start center and facilities for HCTC. The CDI process helped local residents witness the power of collaboration and engagement among local citizens and brought hope to people for whom this was a scarce commodity.

One of the outgrowths of the CDI experience was the focus by local leadership on adventure tourism. Although Knott County's relative isolation does not bode well for the recruitment of outside industry, the county does have entrepreneurial spirit in the "hollows" across the region, and the emphasis on tourism is designed to capitalize on that spirit. While the School of Craft and focus on heritage tourism was aided by the state's CDI, energy for adventure tourism came from county leadership, both public and private. In 2006, county leaders made a priority of creating an adventure tourism park. As a legacy of the county's dependence on natural resource extraction, there are thousands of acres of reclaimed strip mine and forest lands uniquely suited to a range of outdoor recreational activities. In 2007, Mine Made Paradise Park opened – a

partnership between a prominent regional coal company, local residents and the county. The park covers over 43,000 acres and has 100 miles of trails for off-road biking and additional horseback riding trails and stables. Semi-annual horseback trail rides (spring and fall) began in 2007 with 500 visitors and grew to 10,000 visitors in 2010. A motorcycle/ATV training center and campgrounds complete the park.

The tourism-focused efforts in Knott County, Kentucky offer the potential for diversifying the economy and replacing some of the jobs lost in the coal industry. The School of Craft effort has experienced some difficulty gaining momentum in part due to its lack of connection to other tourism activities. Moving forward, new leadership at HCTC has expressed interest in finding a more sustainable model for the school as one piece of a larger tourism strategy that will increase its potential for success.

By contrast, the grassroots adventure tourism effort has gained momentum and achieved some positive results. The steady increase in the number of visitors (a key metric for tourism activities) and the expansion of facilities and trails at the park provides evidence of this impact. But much like the School of Craft effort, the adventure sports park has room to grow. As it currently operates, the park is relatively self-contained. Park visitors come and camp on the grounds and that tends to limit their potential impact on the broader county and regional economies. This is due in part to the lack of motels near the park, limited restaurants, and few additional entrepreneurial ventures in support of tourism.

Knott County's tourism development efforts are in some ways a replacement strategy, as tourism can create jobs for lower-skill workers that have lost their jobs. As the county's tourism efforts gain momentum and grow, they are more likely to create greater diversification, as a growing number of visitors will likely demand greater opportunities in other activities such as lodging, restaurants and retail. A broader regional effort might help the county create an adventure and heritage tourism brand and destination and would further increase the economic impacts on the county and the region.

To advance these projects, Knott County will need strong, patient leadership. Knott County showed strong leadership in competing for the CDI grant from the state. Private and public sector leaders rallied to make the Mine Made Paradise Park a reality. However, economic development and specifically, tourism development, requires long-term investment in both time and resources. There has been significant leadership turnover in the county, making it difficult to maintain the momentum behind these efforts. The loss of a strong, persuasive and visionary leader can derail efforts unless there is a deep leadership bench and broad buy-in to a compelling community vision.

KEY FINDINGS AND OTHER OBSERVATIONS

- A regional approach to tourism that positions the region as a destination offers more promise than a single county or single attraction approach.

- There is strength in focusing on a sector strategy, e.g., tourism, and not on a set of specific projects.
 - Coordination of efforts can lead to greater economic impacts.
- Depth of leadership and commitment is critical to sustaining long-term economic development efforts.
 - The loss of a strong, persuasive and visionary leader can derail efforts unless there is a deep leadership bench and broad buy-in to a common vision.
- Tourism development requires long-term investment in both time and resources.
- Leveraging natural amenities in support of tourism development provides economic opportunities and can lead to greater diversification, but tourism alone is not going to generate the economic impacts necessary to replace past economic drivers (e.g., coal, manufacturing).

WASHINGTON COUNTY AND BRISTOL CITY, VA

Washington County (2012 population—55,190) and the independent city of Bristol (2012 population—17,662) are located along the Interstate 81 (I-81) corridor in southwest Virginia. Bristol is on the Virginia-Tennessee border; the border runs down the city's Main Street. Washington County is a mixed rural county as defined by Isserman (2005) and a transitional county by ARC standards. The county has shown signs of economic improvement over time. Between 2009 and 2012, Washington County grew at a rate of 1.0 percent annually, a rate comparable to both the U.S. and Virginia. However, these gains were partially offset by economic conditions in the independent city of Bristol which lost employment at a rate of 1.2 percent during the same period.

Washington County has not been overly dependent on a single industry, and both Washington County and Bristol City display above average levels of employment diversity, although Washington County (76th percentile) has a somewhat more diverse economy than Bristol City (57th percentile). Washington County very much benefits from its position along the I-81 transportation corridor. Historically a manufacturing dependent area, Washington County and Bristol City have seen commercial expansion along the interstate, and they have also benefitted from several broader regional initiatives to develop tourism in southwest Virginia.

In many ways, the county and city provide an example of opportunity-driven economic development. Diversifying the city and county economies is an explicit goal shared by leaders across these jurisdictions. The Mount Rogers Planning and Development

Commission²⁰ (the region's local development district) identified diversity as a key plank of its Comprehensive Development Strategy.²¹ The vision for the region, as articulated in that strategy is for a region with:

"...a diverse, stable economy, grounded in traditional economic development, tourism, and entrepreneurship, that provides high quality jobs while maximizing a competitive cost of doing business;"

Washington County's location feeds into a number of its various diversification efforts. The county's commercial and industrial development efforts are tied directly to its two interstate interchanges and the opportunities those interchanges pose for commercial and retail development. At the local and regional level, tourism drives diversification efforts. Local tourism efforts in Bristol City and Abingdon (the Washington County Seat) emphasize main street developments and tapping into a history of tourism development focused on the Bristol Motor Speedway, host to NASCAR and other races. More regionally-oriented tourism initiatives leverage the region's musical heritage and outdoor recreational assets. All of these activities are underway in the region, but the emphasis placed on each varies by scale and jurisdiction.

ECONOMIC DEVELOPMENT AND DIVERSIFICATION STRATEGIES

The area's economic development strategies have three relatively distinct focus levels—county, city, and region. At the county level, the primary focus has been on commercial and industrial development along the I-81 corridor. This development activity has been driven primarily by the county commission and the county economic developer. They are seeking to attract not only projects related to manufacturing and distribution, but they are also looking for 'destination' retail as exemplified by the location of a Bass Pro Shop or Cabela's facility. To date, these efforts have been largely successful. Development at one of two major interchanges along I-81 is almost complete and there is significant new development planned for the second.

The cities of Bristol and Abingdon employ quite distinctive economic development strategies from Washington County. Instead, the cities focus their attention on downtown revitalization, supporting small business owners and tourism. There is a growing recognition, particularly in Bristol, that entrepreneurial and small business support services are needed to help local businesses actually succeed in their main street locations. Partnerships with other support providers may be the most effective way to increase the capacity in these communities to effectively support entrepreneurs. The community is also looking for effective models elsewhere that can be adapted and implemented locally.

²⁰ In addition to Washington County and Bristol City, the Mount Rogers Planning and Development Commission also serves the counties of Bland, Carroll, Grayson, Smyth, and Wythe and the independent city of Galax.

²¹ Available at: <http://www.mrpdc.org/docs/CEDS.pdf>

Bristol has an active Main Street program—Believe in Bristol—and this program is driven primarily by private sector leadership. Private sector leaders play a catalyzing role in advancing Bristol’s tourism development and main street projects. This has been most evident through the construction of the Birthplace of Country Music museum. Support for the construction of this museum, which is being built in a central downtown location, has come from the private sector and not local government. As part of the museum’s development, local organizers have established an affiliate relationship with the Smithsonian Institution. This relationship not only adds to the museum’s credibility, but also opens up opportunities to leverage the resources of the Smithsonian in creative ways (e.g., hosting traveling exhibitions and educational programs). The museum is set to open in August 2014, and its future was ensured in part through strong leadership and a recent merger with Bristol Rhythm and Roots Reunion (a multi-day music festival in downtown Bristol).

Local efforts like the development of the Birthplace of Country Music museum have benefited from strong multi-county regional collaboration in support of tourism development and promotion. For instance, Washington County is crossed by the Crooked Road, which is Virginia’s music heritage trail that runs through Southwest Virginia. Washington County is also involved with ‘Round the Mountain’—Southwest Virginia’s artisan network. Communities need to build on their assets and connect those assets to external demand. To further support these efforts, Heartwood was opened in 2010. Heartwood is an artisan center located along the interstate and is designed to serve as the region’s gateway to heritage and cultural tourism. Heartwood was funded with both ARC and state tobacco trust fund resources.

While Heartwood was designed to connect the musical and artisan heritage in the region, it has very limited connection to parallel efforts to promote nature-oriented and outdoor recreational tourism. In order to further connect these tourism assets, Washington County collaborated with 18 other Southwest Virginia counties as a partner in a Rural Jobs Accelerator grant (with funding in part from the U.S. Department of Agriculture or USDA, the U.S. Economic Development Administration or EDA, and ARC). This larger project—‘Appalachian Spring’—seeks to connect many of the downtown development efforts with the regional tourism efforts in order to establish a consistent theme and more closely connected network of assets that would help the region market itself as a single destination. This project will also connect not only the cultural and heritage assets, but also the region’s many outdoor recreational assets (e.g., the Appalachian Trail for hikers, the Virginia Creeper Trail for bikers).

While tourism-related activities provide the focus for many of the broader regional economic development and diversification efforts, they are not the only activities underway locally. Other emerging efforts seek to strengthen regional food systems such as the establishment of a significant farmers’ market in Abingdon and the development of private and non-profit resources through Appalachian Sustainable Development and Harvest Table—a local and influential farm-to-table restaurant.

The three elements of the area’s economic development— commercial and industrial development, main street development (in both Bristol and Abingdon) and tourism—

have built a solid foundation for a more diverse regional economy. While local economic development actors are cooperating on an ad hoc basis, future success may require greater collaboration in a more systematic way as well as a more clearly articulated, shared vision for the region's most critical priorities. Creating greater alignment of these different strategic efforts will be a key factor going forward, as it will be necessary to ensure that these assets are developed in ways that do not create conflict or work at cross purposes. For example, the commercial and industry development along the interstate could come into conflict with efforts to promote the region as a destination for outdoor recreation and tourism. There is a growing sense among local leaders that they need to work together to tackle these issues, but the lack of a single driving force to guide this regional approach makes collaboration difficult.

KEY FINDINGS AND OTHER OBSERVATIONS

- The Bristol/Washington County region benefits from economic development strategies that are multi-dimensional.
 - Different units of government (county vs. city) and different sectors (public vs. private) play different roles that collectively contribute to a more diverse and resilient county economy.
- Communities need to build on their assets and connect those assets to demand outside the region.
 - Washington County also benefits from a location that enables easy access – for tourists, for shoppers, for commerce and industry – and from regional initiatives that attracted outside support.
 - Most of the local diversification efforts have focused on leveraging existing assets and linking them together in ways that create a tourist destination that could be marketed together.
- Private sector leadership has an important catalyzing role to play in economic development.
 - Economic development is not the sole domain of paid economic developers.
 - The private sector has played a strong and active role, particularly in Bristol's tourism development efforts and the emerging regional food system efforts.
- Effective public-private partnerships are vital for moving projects forward and connecting to resources.
 - The private sector has played a catalyst role, allowing the region to access a wide range of state and federal resources, including ARC, to support their efforts.
- Downtown revitalization efforts need to be tied to entrepreneurship development.
 - Entrepreneurial and small business support services are needed to help local businesses actually succeed in their main street locations.

- Partnerships with other support providers may be the most effective way to increase the capacity in these communities to effectively support entrepreneurs.

RUTHERFORD COUNTY, NC

Rutherford County is located between Asheville and Charlotte in North Carolina, and Greenville-Spartanburg in South Carolina. ARC categorizes the county as distressed. The unemployment rate of 12.7 percent is well above average compared to both the U.S. and North Carolina.²² Rutherford has lost employment over the previous decade. Between 2009 and 2012, Rutherford County lost employment at a rate of 1.3 percent annually. By contrast, North Carolina and the U.S. grew at 0.8 percent and 1.0 percent respectively during the same period.

In spite of these difficult economic headwinds, Rutherford County remains a relatively diverse county and is within the top quartile of counties in terms of employment diversity (79th percentile in employment diversity). Rutherford County has traditionally relied upon manufacturing activities, but many of the manufacturing jobs that formed the economic foundation of mill towns like Rutherfordton, Forest City and Spindale are now gone. While manufacturing remains an important part of the county's economy, local development efforts today emphasize other economic activities. For instance, the county has attracted several data centers—most notably Facebook. There is also a growing retiree population, particularly around Lake Lure and Chimney Rock in the western part of the county. The county is also seeking to boost the agricultural sector by increasing linkages with local food producers.

Given the recent history of Rutherford County and the surrounding region as one dominated by mill towns, it is no surprise that diversity-driven thinking informs the region's strategy development. It is listed as one of the goals in the Isothermal Planning and Development Commission's²³ regional Comprehensive Economic Development Strategy:

“The Isothermal region was once too dependent on a very limited number of manufacturing industries. In the future, the region will have a more diverse economy that will help insulate the community against future economic downturns. It will develop a strong entrepreneurial culture so that new companies and ideas will continuously emerge and better insulate the region from external economic forces. The region will also grow its economic strength in globally competitive industries – including advanced manufacturing, manufacturing-related producer and distribution services, entrepreneurial enterprises, as well as tourism and retirement-related industries. The region will also make

²² U.S. Bureau of Labor Statistics Local Area Unemployment Statistics, June 2013.

²³ The service area of the Isothermal Planning and Development Commission includes Rutherford County, as well as Cleveland, McDowell and Polk counties.

use of its land to support activities such as high value added agriculture and viticulture, as well as the continued growth of its already strong equine industry. With more growing companies, relocated firms, and entrepreneurial start-ups in these industries, the Isothermal region can develop a diverse economic base that will provide jobs, wealth, and a sound tax base to ensure prosperity for current and future residents.”²⁴

As noted in the above vision, the region (and Rutherford County) is pursuing a diverse array of strategies to become a more diverse economy. There is a very clear recognition that no single strategy will rejuvenate the county economy, and the path forward will require the efforts of multiple organizations and stakeholders. Therefore the strategies pursued in Rutherford County fall into several groups of diversification strategies.

DIVERSIFICATION EFFORTS

Given its location between three metro areas (Asheville and Charlotte in NC, and Greenville-Spartanburg in SC), it is logical that Rutherford County has been generally active in seeking out regional opportunities. In the broadest sense, thinking regionally allows area businesses to access broader markets and area workers to find a more extensive array of job opportunities. Regional collaboration also benefits economic development practitioners. For instance, the county participated with 22 other counties in the Advantage West Region to successfully win a Rural Jobs and Innovation Accelerator designed to promote local foods (WNC Agri-ventures). Stakeholders have also participated in other regional endeavors including the Future Forward Economic Alliance (a 12-county group covering the NC Foothills) and the area’s workforce development board frequently collaborates with neighboring boards. These partnerships often prove beneficial as they allow the county to leverage other resources, programs and expertise. Moreover, these regional configurations shift as needed. Depending on the issue, stakeholders may pursue regional collaboration with groups from Upstate South Carolina, Asheville, Charlotte or all three. However, to fully derive the benefits from these regional collaborations, there must be very active participation. As budgets and staff resources diminish, it is increasingly difficult for organizations to commit time and staff resources to these efforts which typically fall outside of their core set of responsibilities.

Promoting entrepreneurship is one of the key planks of Rutherford County’s diversification efforts. For a number of years, the Foothills Connect Business and Technology Center had been a leader in these efforts by supporting entrepreneurial development and broadband expansion. However, the funding for Foothills Connect expired. While many of the programs put in place through Foothills Connect have found homes, the county no longer has the primary point of contact that it once did. There is a sense in the community that efforts to support entrepreneurship could be stronger. For instance, it was noted that many of these efforts would be more effective if they

²⁴ http://www.regionc.org/IPDC/Docs/CEDS%202012%20FinalDraft1_2013.pdf Page 41.

focused less on encouraging people to pursue entrepreneurial ventures, and more on helping established entrepreneurs grow their business.

Rutherford County is working to develop several different sources of both employment and wealth. While advanced manufacturing remains an important economic driver for the area, efforts are underway to broaden the economic base. For instance, due to relatively cheap electricity and water the county has been able to attract several data centers—most notably Facebook. These investments, as well as Google and Apple data centers in nearby counties, has led Isothermal Community College to establish the Data Center Institute to provide short-term, specialized training for workers at these centers. Efforts have also been made to promote the local agricultural sector as well. With resources from the Rural Jobs and Innovation Accelerator grant, local leaders are connecting local farmers to buyers in Asheville and Charlotte and connecting local farmers to the expertise available through the North Carolina Agricultural Extension Service.

While diversifying the employment base can prove beneficial, it is also important to diversify sources of wealth. In Rutherford County, this has perhaps been best exemplified by its retirement attraction efforts. The county leverages several natural assets (e.g., the nearby Blue Ridge Mountains, Lake Lure) to attract retirees to the area. These efforts bring new money into the community through the spending of their retirement savings or Social Security income. This spending helps to support activities such as construction, local retail, and recreational facilities like golf courses or equestrian facilities. Further efforts are being made to grow Rutherford County's attractiveness as a retirement destination. For instance, the county is working to partner with an Asheville-based health care provider to expand access to health care in the Lake Lure area. Similarly, efforts are being made to expand the broadband network, which is often limited due to the mountainous terrain that can block satellite signals. In addition, the county is also exploring ways to increase the diversity of that area's available housing options. Currently the area has a number of retirement homes, but fewer options for people looking for condominiums or assisted living facilities.

Workforce development is an area where local stakeholders feel as though they can make progress through local efforts. The Region C Workforce Development Board (WDB) which represents Rutherford, McDowell, Cleveland, and Polk counties is partnering with the neighboring High Country and Western Piedmont WDBs on a regional literacy initiative. Other workforce initiatives currently underway include promoting greater usage of worker certifications (e.g., ACT WorkKeys) for both employers and workers, job shadowing programs, and other efforts to communicate employer needs to students and other potential workers.

Rutherford County also promotes local reinvestment amongst existing businesses through dedicated business retention and expansion efforts. These efforts involve ongoing communication with area businesses so as to understand their needs. Based on these needs, the Rutherford County Economic Development Commission (EDC) then seeks to connect them to services that might best meet their needs be it assistance from the Small Business Technology Development Center, Industrial Extension Service,

Isothermal Community College, or a local utility company representative. In one instance, one Rutherford County manufacturer sought to get into defense contracting, and the Rutherford EDC helped connect them with the North Carolina Military Business Center which has expertise in these areas.

In spite of these efforts, transforming elements of the old economy to prepare for new industries represent a constant challenge. For instance, Rutherford County has a number of older, obsolete industrial buildings with low ceilings, inadequate lighting, or environmental hazards that require remediation. In other cases, existing facilities may not have adequate infrastructure or road access. These buildings are not assets, but instead are liabilities without the resources to invest in adapting or replacing them.

Similar legacy issues exist within the area's workforce. Many of the county's workers are equipped with the skills that were suitable for declining industries, but not adequate for the demands of today's growing employers. While some workers can be retrained to meet emerging needs, many dislocated workers do not see retraining as a realistic option. Local leaders have found that many older workers either will not seek out additional training or education. Other dislocated workers simply cannot afford to invest the time in undertaking retraining programs. At the same time, skilled younger workers are apt to leave the area for places with more opportunities and a wider array of appealing amenities. However, one of the ancillary benefits of Facebook's recent move to the region was that a number of the employees at the Rutherford County facility are from outside the region and therefore provide a small infusion of relatively young talent. New companies locating to the area are seen as a source for jobs, not only for existing workers, but also for a new generation of talent that could help to create a new sense of energy in the county.

Rutherford County stakeholders fully understand that no single strategy or initiative can revive and diversify the local economy. Rather, multiple efforts—over an extended period of time—are needed to ultimately transform the county's economy. Patience, however, is not a virtue that people in the midst of an economic crisis can afford. As a result, many economic development practitioners face increased pressure from local elected officials who want to see immediate progress. A crisis atmosphere can make many local elected officials reluctant to invest in the staffing, services or infrastructure that might yield long-term benefits. Instead, the investments are often short-term in nature, even if the investment is not seen as optimal in the long-term. For instance, communities in crisis may not be as selective in the businesses they seek to attract. As a general rule, communities often prioritize their investments to encourage businesses that require unique skills or pay higher than average wages. But, in a crisis atmosphere, those same places may not be able to adhere to those priorities, settling for more mobile companies that may offer less than desirable wages or that require greater than expected incentives.

KEY FINDINGS AND OTHER OBSERVATIONS

- Multiple approaches are needed to achieve economic diversification (the shotgun approach).

- Many places would like to attract “good” industries that offer the best wages and are committed to the community, but being truly selective can be a challenge in times of need.
 - Mobile firms may address short-term job needs, but they will continuously seek more advantageous locations.
- Investing in new industrial sites and buildings can potentially support diversification efforts.
 - Buildings that supported the old economy may no longer work for the new economy.
 - Connecting sites/buildings to high quality roads and telecom infrastructure is another important consideration.
- Economic crisis (and often the related fiscal crisis) can impart a risk-averse mindset into local elected officials, and discourage them from making the investments necessary to support diversification strategies.
- Different issues require different stakeholders and regional alliances.
 - Stakeholders must actively participate in order to reap the rewards of regional initiatives.

PICKENS COUNTY, SC

Pickens County, located in Upstate South Carolina, is part of the Greenville-Spartanburg MSA and home to 117,000 people. Local economic developers often refer to three different parts of Pickens County: 1) a western section focused on the city of Clemson and Clemson University (South Carolina’s land grant university), 2) a central section that remains very rural and focused on agriculture, and 3) an eastern section that serves as a bedroom community to Greenville, SC. The county has had little net employment growth since the end of the recession. Employment between 2009 and 2012 has remained just under 49,000.

The Pickens County economy has traditionally relied on a very narrow base of economic drivers. For much of its history, the county was dominated by cotton, which was both grown and processed in the community. Until quite recently, textiles represented the county’s largest manufacturing sector. Pickens County today is more diverse than two-thirds of U.S. counties. This diversity is driven in part by the presence of Clemson University which serves as an important economic driver for the county and region, particularly neighboring Anderson County. More recently, the county has benefited from rapid growth in the nearby Greenville-Spartanburg metropolitan area.

DIVERSIFICATION EFFORTS

In terms of economic development policy, competitiveness issues, more so than diversification, motivates Pickens County’s economic development efforts. This is reflected in the efforts to focus business attraction and retention efforts around key

clusters such as automotive, plastics and metal working, and medical devices and pharmaceuticals. To support this cluster development, Pickens County—under the auspices of the county government and Alliance Pickens (the county’s public/private economic development arm)—pursues a relatively traditional economic development strategy by focusing its efforts on attracting new firms, primarily manufacturers. Pickens County’s primary selling points have been its lower labor and business costs, but it has also sought to leverage its proximity to the markets and automotive manufacturing cluster in and around Greenville/Spartanburg. These business attraction efforts have proven relatively successful, as Pickens County has succeeded in attracting several major employers to the county. For instance, recent site selection and expansion announcements include a new TaylorMade golf facility and an expanded circuit manufacturing facility for Sealevel, a longtime local manufacturer.

The county has also made investments designed to strengthen its business attraction and retention efforts. For instance, many of these firms have opted to set up operations in the Pickens County Commerce Park, which first opened for business in 2005. The park is equipped with modern utilities, a dedicated fiber switch, and access to a 4-lane highway. The park has been extremely successful, and county officials are now considering creation of a second industrial park located on 500 acres near Clemson.

While the primary focus of Pickens County’s economic development efforts is on industrial recruitment, it is not the only focus area. Like many other communities in the Southern Appalachians, Pickens County also tries to capitalize on its natural beauty by promoting tourism and retiree communities. Within Pickens County, there are several high-end retirement communities and golf courses located near Lake Keowee and other local lakes. In keeping with Pickens County’s focus on business recruitment, these high end communities are often touted as a local asset to visiting corporate executives. While these communities attract many weekend visitors from around the region, they have not had a huge impact in generating other tourism-focused activities.

Clemson University is another local asset that has not been fully maximized as collaboration between Pickens County and Clemson University appears to be relatively limited. Pickens County clearly benefits from the university’s economic ripple effects. For instance, not only is Clemson University a major employer in the county, but spending by faculty, staff and students are significant sources of retail and real estate demand. Moreover, nationally-recognized research centers like the Clemson University International Center for Automotive Research (CU-ICAR, which is based in Greenville) help to attract potential investors. However, conscious strategies and programs to link the county to the university appear limited. Given its role as the South Carolina’s land grant university, Clemson University prioritizes serving the entirety of the state (through ‘Centers of Economic Excellence’ like CU-ICAR) more than building closer connections within Pickens County.

Moreover, for as much as Pickens County benefits from its place within the Upstate South Carolina region (e.g., the Greenville job center, the automotive manufacturing cluster around Greenville-Spartanburg, etc.), it has not embraced active partnerships with neighboring communities. For instance, Pickens County recently opted to end its

formal partnership with the Upstate SC Alliance, a 10-county regional partnership that markets the region worldwide. Pickens County is still considered part of the Alliance, but the county no longer provides direct investment in the group.

Pickens County's economy has performed fairly well in recent years, despite the fact that the county economy lags on many key indicators such as workforce education levels. In spite of these shortcomings, the county remains an attractive location to many potential investors due to its low cost structure, location between Charlotte and Atlanta, proximity to the automotive cluster around Greenville-Spartanburg, and the presence of Clemson University. For the foreseeable future, Pickens County officials intend to use the assets in support of their continued focus on business attraction and recruitment. However, pursuing more extensive regional partnerships—particularly with Clemson University—would not only strengthen these core strategies, but would also provide a great boost to other strategies that could lead to a more diversified employment base such as tourism development and retiree attraction.

KEY FINDINGS AND OTHER OBSERVATIONS

- A smart and focused business attraction strategy can improve economic performance when a region has true in-demand competitive assets such as a major research institution, natural amenities and low cost of doing business.
- There are benefits from being located near large metro regions like Greenville, SC or major research universities like Clemson, but active engagement is required to fully maximize these opportunities.
- Mutually reinforcing strategies can increase strategy impact.
 - E.g., promoting the auto industry by linking business attraction efforts to university research centers that undertake automotive research as well as by building executive housing to appeal to automotive company executives and managers.

LAUDERDALE COUNTY, AL

Located in northwest Alabama, Lauderdale County is home to over 92,000 residents. Over 40 percent of these residents live in the city of Florence, which along with Muscle Shoals in Colbert County form the core of the two-county Florence-Muscle Shoals MSA. Lauderdale County is home to the University of North Alabama (UNA), which first opened in 1830, and now has an enrollment of 7,000 students. The region also has a long history as a center for music. Blues originator W.C. Handy and Sam Phillips, the record producer who discovered Elvis, were both born in Florence, and the Shoals region is globally known as a recording center for rock, gospel, and country music. This musical heritage is a core part of the region's tourism promotions efforts today.

The broader Shoals region has also capitalized on its long historical connection with the Tennessee Valley Authority (TVA), as the nearby Wilson Dam was the first dam on the Tennessee River and later became the first dam under TVA's authority. The TVA

connection remains important to the region. Due to the Tennessee River access and TVA-provided power, the region has long been home to major manufacturing facilities and Lauderdale County and the Shoals region has long served as one of Alabama's leading manufacturing centers. Large manufacturers like Ford, Occidental Chemical, and Reynolds Aluminum were long-time anchors for the local economy.

Overall, county employment grew at a modest rate of 0.3 percent annually between 2009 and 2012, well below the national rate of 1.0 percent during the same period. However, the region's manufacturing sector has experienced net positive job growth between 2009 and 2012, and this has partially helped to offset job losses in other areas such as government and construction. As a result, the county's economy remains relatively diversified and is in the top 25 percent of the nation's most diversified counties (79th percentile in 2012). Although economic development strategies within the region are not explicitly driven by concerns about diversity, the Muscle Shoals region has a relatively diverse economy, and Lauderdale County is working on several efforts to enhance diversification. Many of these efforts are framed and implemented within a broader regional context, and this regional approach has contributed to their success.

DIVERSIFICATION EFFORTS

Like many parts of the traditional "Rust Belt," Northwest Alabama manufacturers were hit hard in the 1980s and the local economy suffered major setbacks. In response to these economic shocks, the community undertook a variety of initiatives to strengthen its economic foundation. Given the interconnected nature of the Florence-Muscle Shoals region, it is not surprising that these efforts were primarily regional in nature. For instance, the Shoals Industrial Development Authority (now known as the Shoals Economic Development Authority—SEDA) was established in 1986 to serve the entire region. SEDA serves as the region's primary business recruitment arm and was Alabama's first multi-county industrial recruitment entity. Creating this entity formalized a more regional approach to business recruitment. SEDA continues to invest in extensive industrial recruitment efforts although much of this recent activity has been located in Colbert County. While many of these investments are made outside of Lauderdale County, they still create employment opportunities for county residents.

Many of Lauderdale County's economic development organizations operate on a regional basis and serve all of the communities located in Lauderdale County and neighboring Colbert County. SEDA was the first regional economic development entity for these two counties, but the Shoals Chamber of Commerce also serves the two-county region and its four largest communities (Florence, Sheffield, Muscle Shoals, and Tuscumbia). Since 2007 the region has also operated an independent Shoals Industrial Development Committee. The Committee is composed of public and private sector leaders and oversees a large "deal-closing" fund for prospective economic development projects. The Northwest Alabama Council of Governments (NACOLG)—the area's Local Development District—is another regional development organization. The NACOLG serves a wider region that includes Lauderdale and Colbert counties, along with Franklin, Marion and Winston counties. NACOLG manages a number of federal and

state-backed business loan programs. The collaboration between these regional organizations enables more effective economic development practice throughout the region, as it facilitates scale and coordination of economic development activities.

While manufacturing remains an important part of the regional economy, efforts are underway to leverage many of Lauderdale County's broader regional assets in order to develop other industry sectors. A strong base of manufacturing firms still operates in the region, and the area benefits from growth occurring across the wider region in nearby communities such as Huntsville and Decatur. Growth in these neighboring regions also benefits other sectors of the Florence and Lauderdale County economy. For instance, Florence has emerged as a major retail center for the surrounding region, attracting numerous shoppers from Northern Alabama, Mississippi and Tennessee. Lauderdale County continues to attract major retail investments, with a second Wal-Mart superstore opening for business in the near future. Florence is also a regional medical hub and is home to ECM Hospital system which is one of the region's largest employers with more than 1,200 employees.

Tourism is another area of emphasis. Spurred by organizations like the Lauderdale County Tourism and Downtown Florence United, Lauderdale County leverages many of its broader regional assets to support its tourism industry. For instance, the region's place on the Robert Trent Jones Golf Trail makes the region a golfing destination more so than any single local golf course would. Similarly, there are efforts underway to capitalize on the Muscle Shoals region's musical heritage. While the area hosts many local events and festivals (e.g., the W.C. Handy Music Festival), there are also efforts to develop these assets in a broader regional strategy. The Americana Music Triangle is a proposal to link five states (AL, AR, LA, MS, and TN) along a tourist trail that introduces visitors to key spots in the development of American roots music. Along with Nashville and New Orleans, the Shoals would be a key stop within the Triangle. This concept is modeled on Virginia's Crooked Road, a highly successful project developed with past ARC investments. Once again, promoting these tourism assets in a unified and strategic manner is more likely to draw tourists than promoting multiple attractions individually. Beyond golf and music, Lauderdale County can also draw on other regional tourism assets such as the Tennessee River and a host of heritage tourism assets.

The University of North Alabama is another asset that can be leveraged to further the region's economic diversity. Lauderdale County has benefited from the recent growth of enrollment at UNA. Not only does UNA serve as an important source for talent and skills, but its student and faculty are also important contributors to retail demand. Moreover, the faculty and staff from both UNA and Colbert County-based Northwest Shoals Community College (NSCC) are important contributors to the region's economic development activities. While UNA does not have a dedicated economic development office, key faculty members sit on local boards and contribute to economic development efforts in other ways. For example, UNA staff members were key players in the initial planning for SEDA.

In addition, UNA also plays an important role in promoting and supporting local entrepreneurship. UNA manages the local Small Business Development Center network

whose staff members work closely with key agencies and with the Shoals Entrepreneur Center. The latter helped build an economic ecosystem capable of supporting a diverse array of economic activities. Since its launch in 1992, the Shoals Entrepreneurial Center has incubated over 150 businesses and created more than 1,500 jobs. As a result, it has proven to be one of the country's most effective business incubation programs. The Shoals Entrepreneurial Center draws support from a wide array of regional stakeholders including many of the regional organizations mentioned above (e.g., UNA, NSCC, NACOLG, SEDA, etc.) and several extra-regional organizations such as TVA, ARC and the U.S. Department of Agriculture.

The Lauderdale County case study demonstrates the importance of regional approaches to economic development and how these activities contribute to a more diversified economy. Regionalism underlies efforts to develop a wide array of economic activities ranging from industrial recruitment, retail development and tourism related to golf and music. In each of these instances, practitioners have sought to position Lauderdale County as part of a broader region in order to market and promote local opportunities. At a more local level, Lauderdale County has also effectively leveraged its available assets like UNA in support of its workforce and entrepreneurial development efforts.

KEY FINDINGS AND OTHER OBSERVATIONS

- A multi-pronged diversification strategy makes sense, as communities proactively pursue multiple approaches and seek to build assets around multiple sectors (e.g., manufacturing, retail, and tourism).
- Large scale impacts take time as shown by the fact that many of Lauderdale County's efforts began in the 1980s and took at least a decade to bear fruit.
- Entrepreneurship can be an effective core strategy if properly supported.
 - The local presence of the Shoals Entrepreneur Center has been an important spur to new businesses in the region.
- Promoting individual tourism assets in a unified, regional manner is more likely to draw tourists than promoting multiple attractions individually.
- While tourism jobs do not always yield high paying jobs, developing tourism can lead to many ancillary benefits such as more desirable downtowns, new hotels, and new amenities.
 - These benefits may improve the quality of life for local residents and serve as a magnet for potential new residents.

OKTIBBEHA COUNTY, MS

Located in east central Mississippi, Oktibbeha County is home to the city of Starkville, Mississippi State University (MSU), and about 48,000 residents. Oktibbeha County is part of a larger region known as Mississippi's Golden Triangle, which also encompasses Clay and Lowndes Counties. Several economic development organizations serve these

three counties, with the newest being the Golden Triangle Development LINK (GTDL). The GTDL is the region's primary business attraction and marketing agency. The Golden Triangle Planning and Development District (GTPDD) is the region's local development district, serving seven counties including Oktibbeha, Lowndes, and Clay as well as Choctaw, Noxubee, Webster and Winston counties.

MSU—Mississippi's land grant university—and its 20,000 students are the county's largest economic engine. However in spite of the university presence, ARC designated Oktibbeha County as a distressed economy in 2013. The county has experienced little to no employment growth over the past few years, and at 9.4 percent the unemployment rate remains above the national average.²⁵ Average earnings in the county also reflect this distress as the county's average earnings of \$32,705 are lower than the average earnings for the U.S. (\$49,468), the ARC region (\$40,821), and the state of Mississippi (\$33,073).

The dominance of Mississippi State has also led to Oktibbeha County having an economy that lacks diversity. In 2012, it was only in the 26th percentile of U.S. counties in terms of the diversity of its employment. Efforts to grow and diversify the county's economy have focused around two key elements. One strategy follows a more traditional economic development focus on industrial recruitment and retention, while the other emphasizes leveraging MSU as a resource in generating a wider array of economic activity.

DIVERSIFICATION EFFORTS

Local economic development leaders acknowledge that MSU's rapid growth has been a primary driver of recent positive economic news in Oktibbeha County. Between 2002 and 2010, enrollment grew by roughly 17 percent. By 2012, there were more than 20,000 students enrolled at MSU. This growth has created strains related to infrastructure on campus and housing options in Starkville, but it has also created new opportunities for area businesses. Local initiatives, such as those sponsored by Main Street Starkville, have smartly sought to capitalize on these new opportunities in order to create a stronger and more diversified economy.

The town and gown linkages have not always been close between Starkville and MSU, and the nature of this relationship often depends on the commitment and focus of MSU's President and other university leadership. Under the current MSU administration, MSU and Starkville's community leadership are enjoying a close and fruitful partnership. Community leaders are trying to link the community to many of the MSU-related activities like football games. In branding Starkville as "Mississippi's College Town" they hope to turn Starkville into a destination for football fans or parents of MSU students. Success in these efforts should create more opportunities to grow other activities such as tourism and retail. Continued efforts to attract visitors to Starkville are also a top priority. Starkville and MSU are currently collaborating to develop a hotel and convention center that should help attract more visitors to the

²⁵ U.S. Bureau of Labor Statistics Local Area Unemployment Statistics, June 2013.

community. Besides making Starkville a destination, the community's leadership also hopes to better connect the community with the campus. Consequently, the Starkville Main Street program promotes local shops and community districts—like the popular Cotton District—to the campus community (faculty, staff and students) so that they are more likely to see these areas as attractive destinations for shopping and nightlife.

In addition to trying to capture the demand generated by MSU, Oktibbeha County's economic development community also seeks to leverage its innovative capacity. As a result, efforts to access skilled talent and technology from MSU are centered on investments made at the local Thad Cochran Research and Technology Park. The park first opened in 1985, and is growing rapidly, with newly constructed buildings quickly reaching full capacity and further expansion plans underway. At present, the park is home to seven buildings with more than 1,500 employees working at technology-based businesses.

The other major plank of Oktibbeha County's economic development plan focuses on more traditional business attraction and retention efforts. However, these economic development activities are being undertaken in an increasingly regional context. Key economic development partners are now working to attract new industries—particularly manufacturers—to the broader Golden Triangle region as opposed to focusing on their individual counties. These initiatives further link Oktibbeha County to the wider regional economy by connecting the intellectual assets and talent based at MSU to emerging manufacturing centers in both Clay and Lowndes County. These partnerships, formalized through the GTDL, represent a significant change for the region. Like many areas of Appalachia, the region had previously been characterized by business recruitment competition between county economic development agencies. The GTDL will lessen this competition, and it is hoped that this model will be used across the state.

Other regional organizations have further supported these efforts. For instance, the GTPDD's Comprehensive Economic Development Strategy describes several specific action items such as identifying and preparing new industrial sites, assisting localities in attracting new firms, providing capital through revolving loan funds and other tools, and making workforce development services available to firms needing training support. This regional economic development approach has yielded some early successes, such as the recent location of a new Yokohama Tire facility in West Point. Expected to open in 2015, this new facility is slated to employ more than 2,000 people.

Oktibbeha County has also engaged in a number of other regional initiatives, including several high profile federal grant opportunities in Eastern Mississippi. In 2005, regional leaders in both East Mississippi and West Alabama won a Federal WIRED (Workforce Innovation in Regional Economic Development) grant that was used to develop a regional entrepreneurship support strategy, the MyBiz Mississippi Entrepreneur Alliance. The project also supported enhanced technical training programs at local community colleges, which has continued to expand and was included as part of the Wal-Mart Foundation's national America Works initiative. Oktibbeha County and MSU are also lead partners in an ongoing Rural Jobs and Innovation Accelerator grant project

CASE STUDIES IN ECONOMIC DIVERSIFICATION

jointly funded by ARC, USDA, and EDA. This effort will support a host of programs targeting key regional industry clusters such as automotive, furniture and agribusiness.

The Oktibbeha County case study demonstrates the importance of connecting communities to anchor institutions like universities. Focusing economic development efforts around the community's largest employer might seem like a strategy that would reduce economic diversity, but in the case of a major research university like MSU, the school's many activities actually help spur greater diversity. New opportunities are created not only in high tech and advanced manufacturing activities, but also in a diverse set of industries such as retail, recreation and tourism, and real estate. Making these connections and linkages can be important for communities that do not possess large institutions, but are nevertheless close to a large regional institution. The importance of regional approaches can also be seen in Oktibbeha County's industrial recruitment efforts which in the past focused on the county level, but have become more effective since the county became part of a wider regional consortium.

KEY FINDINGS AND OTHER OBSERVATIONS

- Concerted and intentional efforts are required to effectively maximize the economic development potential of major research institutions.
 - Committed leadership from both the community and university are also required.
- Business attraction efforts tend to be most effective when undertaken in a regional context rather than individually.
 - Making these efforts work requires trust and an understanding of roles and relationships between the partners.

COMMON THEMES AND TRENDS

The 10 case studies profiled in this report offer both lessons and cautionary tales. This section seeks to identify the common themes and findings that emerged from these case studies. The goal is not only to improve practitioners' understanding of diversity as a motivating factor in economic development, but also to give those same practitioners insights that might help as they develop their own economic diversification strategies.

DIVERSITY IS MORE OFTEN A GOAL THAN AN ARTICULATED STRATEGY

Many communities identify a more diverse economy as a goal or a value, but diversity is less likely to motivate individual economic development strategies. As a consequence, diversity does not tend to drive strategy development in the same way as a concept like competitiveness. Competitiveness-driven strategies are not necessarily mutually exclusive with regional efforts to diversify, but they do lead to different sets of priorities and types of strategies. A focus on competitiveness can often lead places to select specific clusters around which to focus energy and resources. This, in turn, may limit

their activities to only those that support those clusters, foregoing potential opportunities in other non-core activities.

Diversification does not necessarily need to be seen as a goal in itself to be an important concept in framing decisions about economic development strategy. Instead, explicit consideration of diversification within a strategic planning process may help reveal different kinds of strategies and also lead to the implementation of programs or policies that ultimately help diversify the community's economic base. As a result, diversification as a priority might encourage leaders to consider developing a broader array of skills or focusing on finding new sources of wealth rather than just emphasizing job creation. Thinking carefully about diversity can be helpful for many places, even as leaders consider other goals.

Where diversity does drive thinking, it is usually the result of crisis (e.g., the loss of a major employer or major industry) or the recognition that a crisis might be imminent because the community is overly reliant on a single industry or employer. The justification for seeking economic diversity often centers on mitigating risk and/or capturing opportunity. For those places that rely on a single plant, industry or government facility, there is a need to protect themselves against the potential consequences of losing a large employer (Lockheed Martin in Tioga County, NY) or experiencing a downturn in a key industry (e.g., coal mining in Knott County, KY; furniture and textiles in Rutherford County, NC). As a result, leaders in these places seek additional economic activities to both replace lost jobs in declining industries and reduce the extent to which the community depends on those firms or industries viewed as "declining" or "at-risk" of eventual loss due to global economic forces.

While economic crises may lead communities to seek greater diversity, those same events may also tie leaders' hands in terms of how best to achieve diversity goals. A crisis environment may limit the extent to which places can be intentional about how they pursue their economic development objectives. Rather than being strategic about their efforts, the crisis itself may force leaders to adopt a "beggars can't be choosers" mindset and, as a result, pursue any available opportunity instead of focusing their efforts on quality opportunities.

Capturing greater opportunities is another motivating factor behind diversity-driven strategies. Places with dynamic economies that continuously develop new economic activities and are constantly in a state of transformation are more likely to weather economic storms and raise overall regional prosperity. However, in order to do so, places must be able to maximize their assets to capture current and future opportunities. These "opportunistic" strategies might focus on investing in state-of-the-art infrastructure (e.g., Corridor H in Upshur County, WV), building market relationships with nearby growth centers (e.g., Garrett County, MD's links to Pittsburgh and DC), or effectively connecting firms to local sources of innovation like major research universities (e.g., Clemson University, Mississippi State University) and/or national research laboratories (e.g., Oak Ridge National Laboratory in TN, National Energy Technology Laboratory in WV).

The data show that places that diversify more quickly are those that experience a sudden loss of a major employer or industry. By contrast, the case studies demonstrate that places that achieve more positive economic diversity tend to do so in smaller numbers and over an extended period of time. Therefore, places seeking to implement diversity-driven strategies must show patience and commitment to those efforts. This requires building consensus around diversity as a goal within the area's long-term economic vision.

DIVERSIFICATION THAT CONTRIBUTES POSITIVELY REQUIRES MANY YEARS

In fact, like making a fine wine, economic diversity requires time to develop local roots and support before its fruit can bear prosperity. Diversity that occurs too rapidly often reflects significant economic weaknesses from a community overly reliant on a single company or industry. These are the stories of crisis and distress that so many regions encounter. While greater diversity may result, its rapid occurrence leads to dislocation among workers and interdependent businesses alike.

The most successful places can expect their efforts to bear positive economic fruit after many years of sustained effort. Several of the case profiles included in this analysis developed their initial plans in the 1990s and pursued that plan's implementation (with appropriate modifications along the way) for 15 years before realizing success. In these cases, the community's citizens (not just its leaders) were committed to a long-term investment strategy. For some, that community commitment may have occurred only after a significant event—a major company downsizing or relocation, meaning that the road back to prosperity was probably much longer and more challenging.

However, this long-term commitment often resulted from a common realization that the community's future had to be built on leveraging one or more unique local assets (a university, a major new highway, or a unique natural geography such as a body of water or mountain) as well as a bit of luck. These assets provided the lynchpin, but the singular focus on a common plan provided the course for the community's new economic trajectory. Identifying those lynchpins and then building local consensus around the plan to leverage those assets are the most challenging tasks—and ultimately the key to success.

DIVERSIFICATION CAN BE ACHIEVED THROUGH A VARIETY OF ECONOMIC DEVELOPMENT STRATEGIES

Economic diversity results from a variety of strategy choices. Communities with varying economic experiences and situations will pursue those strategies that the community supports and that local partners have the capacity to implement. When asked about how they are working to diversify their economy, practitioners identified a wide range of activities including traditional business recruitment, retention and expansion, workforce development, entrepreneurial development, promoting tourism, leveraging university capabilities, investing in infrastructure, and many others. As noted earlier, all these strategies are typically designed to achieve one of five goals:

- Create collaborative regional planning and implementation systems,
- Build an ecosystem capable of supporting a diverse array of economic activities,
- Connect local and regional assets to external markets,
- Develop skills and talent needed in a wide range of industries, and
- Encourage local reinvestment of wealth.

However, at the most basic level practitioners often seek an “anything that works” approach to diversification. Clearly, there are multiple ways to achieve diversity, and several practitioners pointed out that just as the community should not rely on one employer or one industry, nor should the community rely on any single economic development strategy. Much like diversity itself, undertaking multiple strategies allows practitioners to protect themselves against failed or ineffective initiatives while at the same time increasing the likelihood that one of those strategies will succeed. Moreover, many strategies create jobs in relatively small numbers; undertaking multiple strategies can also increase the overall impact of the broader community efforts.

Another influence over selecting preferred economic diversification strategies is the extent to which strategy outcomes can be controlled locally. Practitioners most commonly identified workforce development and entrepreneurial support efforts as actions they could impact locally. In both instances, these strategies involve building the capacity of people who are already located and/or tied to the local community. In other instances, local efforts to foster diversity focused on giving people already living in the community a reason to stay, either through local educational or career opportunities. Traditional business retention and expansion activities also seek to capture and retain investment in the region, but for many businesses, their fate is determined externally as part of far-flung corporate headquarters’ decisions or by global market forces.

Ultimately, the most significant challenge to overcome is that most diversification strategies result in creating jobs in the fives or tens over a sustained period of time, whereas an economic event can result in the loss of a major employer or industry and hundreds of jobs at a single moment in time. As demonstrated in the case studies, many Appalachian communities are looking toward tourism development strategies to help diversify their economies and replace past economic drivers. These tourism strategies, however, are often more about replacing lost jobs than diversifying the local economy. While the tourism industry provides jobs for relatively low-skilled workers, the new jobs do not pay those same workers as much as industries like coal or manufacturing once did. Consequently, tourism alone will not lead to greater diversity, but instead must be viewed as but one element of broader economic development strategies.

In this context, the appeal of significant business attraction efforts becomes clear. The attraction of a 200-employee manufacturing plant can make a greater impact on the community than helping a small business grow from 5 employees to 10 employees. While business attraction efforts have a place in many comprehensive economic development strategies, these kinds of investments are made sporadically and a focus on these types of projects can be risky. Most notably, there are few relatively large

projects seeking new locations, and it is probably unrealistic for communities lacking significant assets to expect to win these types of large projects. Many growth companies are also looking to locate in fast-growing, diverse metropolitan areas, closer to their customer base. The projects that are looking for more rural locations often tend to need a low-cost and relatively low-skilled workforce. These kinds of projects are intrinsically mobile and their employment levels are not always sustainable over a long period of time. As a result, this is an area where local forces are least likely to exert real influence over outcomes.

EFFECTIVE DIVERSIFICATION REQUIRES MORE THAN JUST DIVERSIFYING THE EMPLOYMENT BASE

The case studies demonstrated that approaching diversity issues requires communities and practitioners to take a broader perspective and approach. This broad thinking is required in two ways—in how community leaders and economic developers define diversity as well as in how they go about pursuing strategies to promote greater economic diversity. Most practitioners conceptualize a diverse economy as one with a wide array of industries, but this is a relatively narrow way to define diversity. Since wages paid by area employers are not the area's only form of wealth generation, diversity should take into account more than just local employment. Therefore, broader definitions of diversity can lead to outcomes beyond just a diverse employment base. For instance, communities might consider thinking about developing a more diverse set of wealth generators. As shown in places like Rutherford County, NC, retiree attraction efforts can diversify an area's wealth generation capacity. These retirees bring money from outside the region in the form of their retirement accounts as sources of wealth. This wealth can then be re-circulated in the region to support activities like construction and retail. Similarly, Medicare payments (which also originate external to the community) can also generate demand for activities such as those related to health care.

Diversity in the ownership of locally-based companies is another consideration, and specifically whether owners are based inside or outside of the community. Locally-based and headquartered companies are more apt to remain and invest in the area than are firms where the locus of decision making is external to the region. As the Tioga County case study demonstrates, when decisions about a local firm's future are made external to the region, there can be great uncertainty about the region's economic future. In order to mitigate this risk, many places pursue entrepreneurship strategies that promote greater local ownership and control. The case study counties provide numerous examples of entrepreneurial strategies including promoting entrepreneurship to students, recruiting entrepreneurs to the region, connecting entrepreneurs to existing support services, and/or investing in key infrastructure like broadband capacity and business incubators. By growing the number of locally-based firms, communities are more able to exert control over their economic trajectory.

Skills diversity is another area of consideration. Workforce development represents another area that local practitioners identified as a real challenge, but also one where they felt as though local action could make a real impact. Many former mill towns

possess a talent pool that has a relatively narrow range of skills that may not translate well to emerging new industries. This relative lack of skills slows these communities' ability to take on new and different activities and thereby diminishes their capacity to diversify their economies. While there may be a desire to focus training efforts around the region's dominant industry, this can prove risky if that industry experiences significant decline. By contrast, a broad and flexible base of skills is required to support a diverse economy and respond to rapidly changing demand for skills. The Lycoming County case study provides an excellent example of a diversity-driven workforce initiative. In this instance, Penn College intentionally sought to invest in training programs that met the needs of the natural gas industry, but also provided workers with skills that are of use to firms in other industries such as construction, utilities and advanced manufacturing. Therefore, diversifying the skill base can allow communities to better take advantage of opportunities as they present themselves.

These distinctions are important as they force consideration of issues such as the diversity of wealth and ownership, as well as the workforce's ability to respond to changing economic conditions. Consideration of these different forms of diversity also influences strategy design and how outcomes are measured. These different definitions of diversity are not contradictory or mutually exclusive. Broadly defining diversity can lead to the need for a diverse portfolio of development strategies, which in turn can allow communities to not only achieve multiple objectives, but also increase the chances of strategies proving successful.

ECONOMIC DIVERSITY INFLUENCED BY REGIONAL CONTEXT

Communities must also approach diversity with broader geographic considerations. The case studies showed that diversity is a scale-dependent issue. Workers often think regionally when looking for employment, and so too should communities when seeking future opportunities for wealth creation. Understanding the broader regional context can help communities better understand the range of available opportunities and potential risks. For instance, a community like Tioga County, NY will never be a major jobs center but by making themselves an attractive place to live they are able to attract people with good paying jobs in nearby job centers like Ithaca or Binghamton. By contrast, downturns in the Washington, DC or Pittsburgh economies might have negative consequences for a place like Garrett County, MD. Understanding the regional context can therefore help to shape the parameters for strategy development as it helps communities more fully understand the threats and opportunities they face.

Specialized counties that contribute to a broader, more diverse region are more likely to diversify over time. Building stronger regional connections can enable communities to leverage a greater number of assets, and thereby open up greater economic opportunities. For instance, proximity to large universities can prove beneficial not only for the immediate area, but also surrounding communities. If leveraged properly, large universities, such as MSU in Oktibbeha County or Clemson in Pickens County, can be a source of innovative research and talented workers for area companies, as well as a source of demand for local food producers or retailers. While this is important for all counties, it is especially important for more rural communities that lack depth of assets.

However, these regional connections do not always occur naturally and both the university and the community must be willing to work together in order to maximize these opportunities.

Regional thinking can also help create assets. For communities seeking to develop tourism, the whole is greater than the sum of the parts, and they are best served by linking these attractions together in the minds of potential tourists and promoting the entire region as a single destination. By thinking regionally, Lauderdale County, for example, has not only made itself a regional retail center but also a destination for golfers through its place in the Robert Trent Jones Golf Trail. These kinds of economic opportunities would not be available had Lauderdale County acted independently to promote its golf courses or its tourist attractions. Similarly, the tourism and infrastructure initiatives underway in Upshur County and its surrounding region would not have succeeded had those counties operated independently of one another. By contrast, Knott County's efforts to establish itself as a center for adventure sports has yet to fully materialize in part because the initial efforts have been independent of one another and not yet connected to a broader regional effort.

BROAD ENGAGEMENT ACROSS SILOS INCREASES POTENTIAL FOR SUCCESSFUL DIVERSIFICATION STRATEGIES

Similarly, broad engagement with a wide array of stakeholders can also help move diversification efforts forward. Effective strategies engage practitioners from economic development, workforce development, higher education, planning, tourism development, as well as the private sector. Practitioners in each of these arenas bring unique, but sometimes overlapping, networks. These networks offer access to knowledge, resources and expertise. For instance, workforce developers may have access to training funds or training programs that would benefit companies in industries that economic developers seek to promote. Similarly economic developers meet regularly with area companies, and can in turn convey information from these conversations to educators who can then use that information to develop curriculum.

As noted above, regional approaches and regional collaboration is often ideal, but local collaboration is the minimum required for implementing effective strategies. Top down initiatives are not always effective as they often end up being neither regional nor collaborative. Instead, some of the more effective collaborative initiatives emerge from grass roots efforts where local organizations come together to form a partnership to address an issue where there is a consensus need. Economic developers often lead these efforts, but the most effective ones are those that see their primary role as one of a connector. By connecting different regional actors and networks, they are able to gather support and resources to advance regional initiatives. This kind of local collaboration often emerges in places where there are open networks, and grassroots initiatives are able to surface from a wide array of actors.

Opportunities are fewer in places where the practitioners remain within the walls of their silos. The case studies suggest that the communities with the most coherent diversification strategies have overall economic development strategies that are not

driven by local economic developers alone. As in the case of Garrett County, MD, these successful strategies involve multiple stakeholders and enjoy broad-based community support. In these instances, area economic developers see that they have a role beyond just industrial recruitment and retention and are willing to embrace their role as a regional connector or facilitator are more apt to be successful in furthering broad based regional initiatives that seek to promote economic diversity.

RESEARCH CAN GUIDE EFFECTIVE STRATEGY DEVELOPMENT AND IMPLEMENTATION

Strategies are more likely to be successful if they are based on a foundation of data-driven research. However, this is an area where many economic development practitioners often lack capacity. These research skills are needed for economic development practitioners to track regional growth and progress, undertake effective market analysis, understand how to harness creativity and entrepreneurship, and keep up with trends about how technology is re-shaping economic advantage. Many places lack this research capacity, but creative and enterprising practitioners can access these capabilities by looking beyond their silos and partnering with other regional organizations that are capable of performing this research.

At the most basic level, communities should have a basic understanding of the economic trends that are shaping their economy. This baseline analysis is an important component in undertaking an honest appraisal of the community's strengths and weaknesses and is often captured in regional Comprehensive Economic Development Strategies. Understanding these economic trends allows communities and regions to better identify and prioritize key issues as well as determine which strategies are realistic, which are not, and which are likely to yield the greatest impact. For instance, local leaders may seek to turn their community into a tourist destination, but if the community has no hotels or restaurants and lacks highway access or appealing tourist attractions, then this effort will likely experience difficulty gaining traction. Undertaking this kind of honest appraisal allows places to remove less optimal options from consideration and instead focus on diversification strategies that are more appropriate for their circumstances.

In addition to considering their internal strengths and weaknesses, successful places also consider external risks and opportunities. This can be done by better understanding how local firms and industries are connected to external markets, and how growth or decline in other places may affect the local economy. If communities are able to identify comparable places then they might be able to learn from their situation. Similarly, community leaders might also seek to learn from other places that have experienced significant shocks or been presented with similar opportunities. For instance, the Lycoming County case study showed how that community was able to learn from another community—Fort Worth, TX—that had been affected by the natural gas boom, and was better able to prepare for the multitude of impacts arising from these developments.

Research and analytical capacity can also play an important role in monitoring and evaluating strategy progress. By tracking outcomes, places can better identify those strategies that are not performing as hoped and either eliminate them or develop new, more effective tactics for the future. Moreover, tracking outcomes and performance allows stakeholders to demonstrate their progress and impact which is important for enlisting additional support or securing funding.

LEADERSHIP MATTERS

As noted above, there is no single economic development strategy that alone can lead to greater economic diversity. Many different kinds of strategic actions must be undertaken to achieve this goal. However, none of this matters if the strategies are not effectively executed. Successful implementation often comes down to the people involved. For a community to effectively diversify its economy, it must first and foremost have people who see economic diversification as a priority. If diversification proves to be a community priority, then it must also have community leaders and stakeholders who are open to working regionally, collaborating across silos, thinking opportunistically about resources, and willing to take risks in order to make the investments necessary to see diversification strategies through to completion. Moreover, communities need different people in different roles to implement these strategies. At the most basic level, there are two roles that need to be filled—a leadership role and a staff role.

Leadership is crucial for any economic development effort. Local leaders are needed to articulate, and build consensus for, a community vision. They are also needed to serve as champions for strategies and enlist support from the community to help implement those strategies. In several of the cases studies, the research team saw that the private sector could play an important catalyzing role for many strategies. This was especially true for Washington County, VA, where private sector leadership drove the completion of the Birthplace of Country Music Museum. In Oktibbeha County, MS, engaged and committed leadership from both the community and the Mississippi State University administration make it possible for the community to increase the economic impact of the campus community on the local economy. However, for many smaller and more rural Appalachian communities, this kind of strong private sector leadership is not always available, and as a result they often lack the capacity to coalesce local business leadership for true public-private efforts in economic development. In these places, government can become a critical actor in rural local economic development in Appalachia (and elsewhere).

But no matter where this local leadership may come from, there is also a need for multiple leaders. Many of the diversification strategies laid out in the case studies will require long-term commitment before they begin to yield significant and sustainable benefits for the community. Many of the initiatives underway in Lauderdale County began in the mid-1980s and they continue to yield benefits because there has been a long-term commitment to see them continued. Sustaining long-term economic development and diversification efforts therefore requires a depth of leadership. The Knott County, KY case study showed that when there has been significant leadership

turnover, it is difficult to maintain the momentum behind these efforts. The loss of a strong, persuasive and visionary leader can derail efforts unless there is a deep leadership bench and broad buy-in to a common vision. As demonstrated by the Garrett County, MD case study, the county's economic development planning process—which has been ongoing for over 15 years—has been an effective means for onboarding new leaders into the process and ensuring consensus for the economic development vision.

Leadership alone cannot guarantee successful implementation of economic development and diversification strategies. Strong leaders often succeed when they are supported with great staff. For many leaders, particularly private sector leaders, these kinds of initiatives are well outside of their core professional responsibilities. Therefore, economic development practitioners are needed to do much of the work involved with seeing these strategies through to completion. This may involve work such as organizing meetings and doing the research. Practitioners also play a hugely important role in organizing stakeholders and preparing applications needed to secure state and federal funds that help kick start many of these initiatives. This is not to say that economic development practitioners themselves are not key leaders in their communities. In most instances, they are quite active in many of the core leadership responsibilities (e.g., building a consensus vision, recruiting support) in which private sector leaders should also be engaged. However, rarely can a community truly transform its economy without significant support from business leaders and elected officials and without important support from their economic development practitioners.

It should also be noted that working both collaboratively and regionally requires a great deal of trust among stakeholders. Repeated interaction often leads to greater trust and comfort, so continuously seeking regional and collaborative projects is one way to build these loose coalitions (even if the efforts are not always successful in attracting external funding). The importance of having these coalitions in place cannot be understated. For instance, the existence of ongoing partnerships can allow regions to respond quickly and effectively to funding opportunities as they arise. Just like diversity itself, these coalitions allow places to capture more opportunities and mitigate the risk involved in undertaking new initiatives.

CONCLUSION

These case studies demonstrate that many Appalachian communities view economic diversity as a stated goal, but there are few articulated strategies that are specifically intended to achieve greater economic diversification. Instead, diversity is often used as one of several justifications for pursuing broader economic development goals. In many instances, places identify economic diversity as a goal after they have experienced some kind of crisis like the loss of a major employer or job losses in a regionally significant industry. The motivation for a more diverse economy therefore manifests itself in two ways. First, places seek to mitigate the risk inherent with being too dependent on a given employer or industry. Second, places seek to capture greater opportunity by being involved in a wider array of economic activity. However, it is most often the former that allows diversification to become a core community value. If diversification

is not a core value or key goal, it still may receive some rhetorical support albeit with very limited resources supporting action.

When asked about their diversification efforts, economic development practitioners note a wide array of strategy types. For instance, several practitioners cite their business attraction and retention efforts as a key plank of the diversification efforts. Perhaps most commonly, practitioners look to targeted efforts—like those focused on the agriculture or tourism sector. Frequently, these may not even be central to their traditional economic development efforts. While these activities often take advantage of assets—namely existing developable land or even available wilderness—developing these industries are in some instances more of an economic replacement strategy than a diversification strategy. The initiatives are designed to provide jobs for relatively lower-skilled workers who are no longer able to work in mines or mills. As a result, tourism and agriculture may represent a return for communities to their rural roots due to a lack of alternatives rather than an effort to find a new economic rationale for their community. This approach can be valuable, especially in cases where no alternative options exist, but this approach seldom contributes sufficiently to local wealth as to help transform the local economy in response to global market forces.

Some places think more broadly about diversification than just seeking to encourage a broad base of industry employment. In those cases, community leaders emphasize efforts aimed at diversifying the local talent base and the skills available from the local workforce while others may focus on growing the number of locally-owned firms through entrepreneurial support efforts. In other instances, efforts are placed on diversifying sources of wealth generation by pursuing activities like retiree attraction. Overall though, successful diversification efforts involve identifying and successfully implementing multiple strategies simultaneously.

The case studies also show that diversity is a scale dependent concept. If places are able to look beyond the borders of their own town or county, they may be able to better capitalize on more regional assets. This is demonstrated in a number of ways. For instance, places might seek to better integrate their community with larger job centers in neighboring counties. They might also attempt to leverage the expertise or demand generated by nearby institutions to support their own locally based efforts. Another common strategy is to work with individual local industries in a context in which those companies are connected to similar industries across a broader area—recognizing the importance that industry clusters can have in creating a regional identity. This is a common technique in developing the tourism industry, organizing individual tourist attractions from across a region in such a way as to create a more appealing tourist destination. The same principles can be used in organizing the agricultural sector, selected manufacturing industries, or other targeted sectors. The better able the community is in connecting these industries to key economic assets, the more equipped the community will be to mitigate risk and capture opportunity for those industries (and the community's citizens).

Communities that successfully implement diversification strategies often share several common traits. First, they develop their strategies on a solid foundation of analysis and

research. Second, they think long-term, recognizing that sound development approaches can take time to mature. Third, they think and operate regionally so as to maximize the resources and assets available to them. Fourth, practitioners work across silos to create broader networks and coalitions and to leverage networks and expertise. Fifth, successful places put the right leaders and staff in place to gain common understanding about the challenges ahead and the most appropriate risks to take in addressing those challenges. Finally, successful places have a process in place not only for developing and implementing their strategies, but also for incorporating new leaders. Economic diversity is a legitimate economic aspiration and goal, but like all economic development goals, it will only be accomplished if area leaders and stakeholders thoughtfully and effectively implement their economic development strategies.